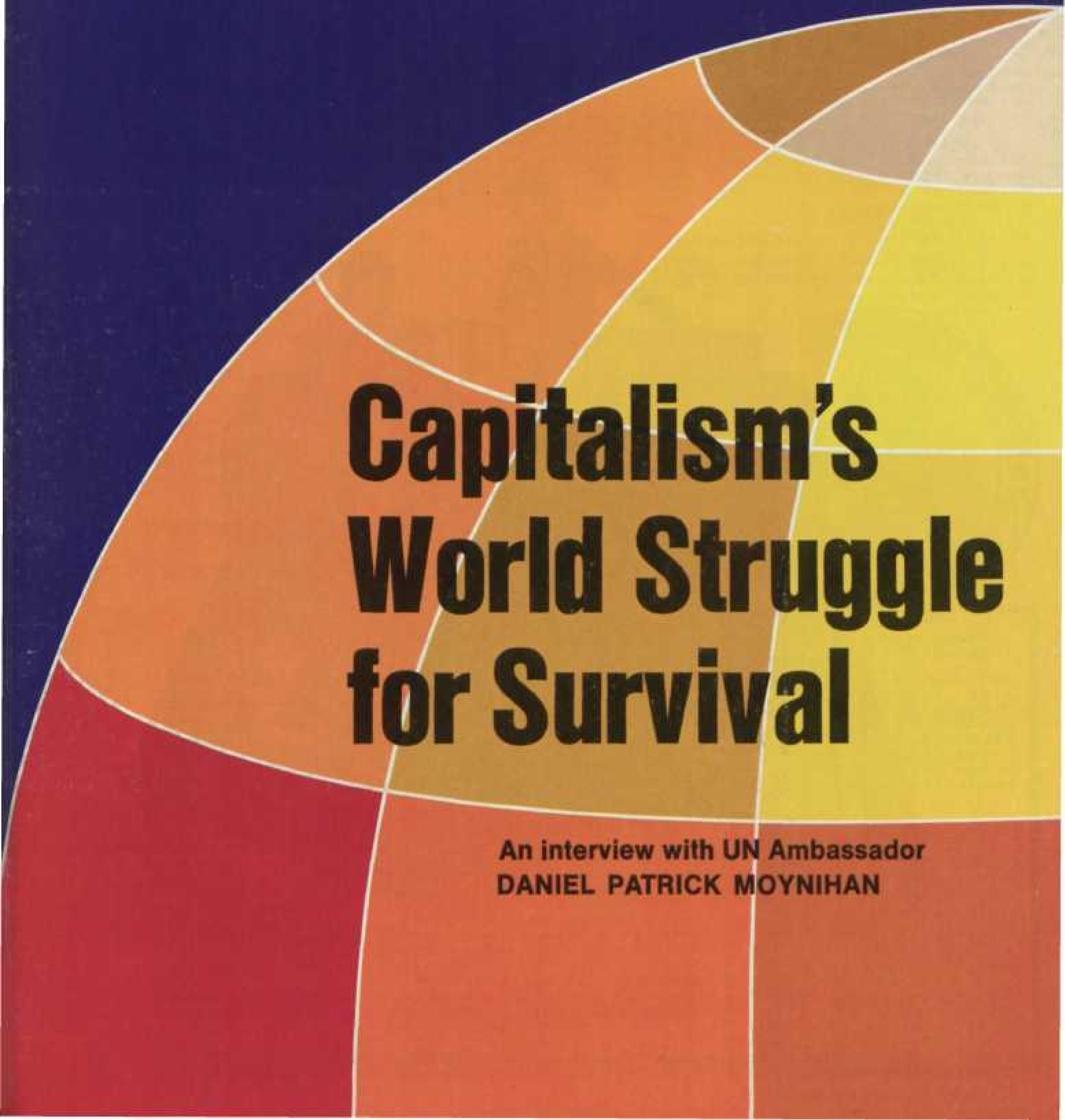
FEBRUARY 1976

Nation's Business



Capitalism's World Struggle for Survival

An interview with UN Ambassador DANIEL PATRICK MOYNIHAN

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Nation's Business

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EDITOR'S MEMO

The Future of Private Enterprise

DANIEL PATRICK MOYNIHAN, the U. S. ambassador to the United Nations, is a man with a bubbling wit.

He also can be deadly serious about important matters, and he can state his convictions bluntly—he has been known to state them too bluntly for some of his fellow diplomats.

Much to the chagrin of many of the UN's 144 member countries, he has told the General Assembly something most Americans would want to say if given a chance to be heard there: We're tired of being kicked around by those who seek favors from us.

Ambassador Moynihan

That Mr. Moynihan felt he should say this straight out, in an environment where reality is often ignored, is interesting.

We think you will find his views on the state and future state of capitalism in the world equally interesting. He spells them out in the interview on page 20, "Capitalism's World Struggle for Survival."

As that headline indicates, what Mr. Moynihan has to say isn't all sweetness and light for those who believe in the competitive enterprise system. The number of nations living under capitalism has been shrinking. Mr. Moynihan's position at the UN and his previous experience—he was ambassador to India, for example—have given him much firsthand knowledge of this shrinking process.

He also has knowledge of developments which imply hope for a return to capitalism in countries where it has been abandoned. And he has some thoughts about what is necessary to preserve capitalism in our own country.

One point that Mr. Moynihan makes should be carefully pondered. He says the success of the competitive enterprise system is too often taken for granted in countries such as ours.

• • •

Although the competitive enterprise system has done a magnificent job for America's people, giving them an enviable living standard while they also enjoy political freedom, the path is not smooth. There have been problems and changes in the past, and there will be more problems and changes in the future.

Walter E. Hoadley, a distinguished economist who is a top policy officer at the world's largest bank, San Francisco-headquartered Bank of America, directs continuous analyses of worldwide economic, political, social, and psychological influences on business, government, and the public.

He has detected changes in the nation's economic climate now which he believes will have a heavy impact on business, and he discusses these changes in the interview on page 24.

Mr. Hoadley emphasizes that business managers need plenty of sound information, so they can make intelligent judgments to benefit their enterprises. We agree. Which is why we have published the interview, "New Trends That Will Affect Your Profits."

The condominiums for people who said they'd never own one.

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People think condominiums are cramped and small. At Park Lane, they're spacious. The rooms are wide. The windows huge. The design unique and elegant.

People think most condominium developments are unsightly. But Park Lane is filled with large trees and shrubs. It's bordered on one side by a scenic forest preserve and on the other by a neighborhood of fine homes surrounding a lake.

The entire community is surrounded by an estate fence. All callers are announced from a gatehouse staffed around the clock.

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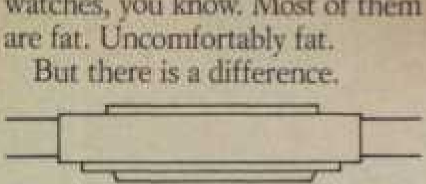

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We are **Moneysworth**, the authoritative, wallet-fattening fortnightly newspaper now read by over *FIVE MILLION* ecstatic, recession-scoffing devotees. We specialize in presenting shrewd advice on how to have more money.

Take a look at the kinds of inflation-defying, high-interest, Midas-touch articles **Moneysworth** prints:

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Deductible "Do-Good" Vacations
Sugar at 9¢ a Pound
How to Get 7 Bestsellers for the Price of 1
Is Cancer Contagious? Startling New Findings
Longevity Linked to Light Eating

In short, **Moneysworth** is a live wire sparking off hot information on the current money scene. It galvanizes readers all over the country into sending us ardent fan letters like these:

• "Thanks to **Moneysworth**, I am $5,417 richer. I battled the Social Security Adminstration unsuccessfully for 18 months, then finally won out by following your advice 'By All Means, Appeal'."—*S. Dominguez; Waterbury, Conn.*

• "Your article on the 15% interest paid by Mexican banks has made it possible for me to retire in style."—*Eric T. Svenson; Fallbrook, Calif.*

• "Your article on air-fare 'triangular' routes was an astonisher. My wife and I saved $100 *each* on a trip to New York by stopping off at Las Vegas as you suggested."—*H. Kessel; Los Angeles.*

• "You're not going to believe this, but I have parlayed $146 into *$90,000* thanks to your informative article on breaking into real estate."—*Horace T. Pinrose; Montgomery, Iowa.*

• "Your write-up on income averaging for tax purposes saved us $1,100 this year. We didn't realize retirees could do this."—*Mr. & Mrs. J.W. Long; Morro Bay, Calif.*

• "Your recommendation that readers reduce orthodontic bills by having the work done at a university dental school saved $1,350 on my daughter's teeth."—*Bob Walters; Oxon Hills, Md.*

• "Your advice on Social Security resulted in a $3,135 lump-sum cash payment to my wife, and $171 monthly pension. The best investment I ever made was a subscription to **Moneysworth**."—*Dr. Herman W. Hortop; La Grange, Ill.*

• "Thanks to your article 'How to Buy a New Car for $125 Over *Dealer's* Cost,' I just bought a Chevy at a saving that I conservatively estimate at $350."—*Ron Bromert; Anita, Iowa.*

• "**Moneysworth**'s product ratings sure stretch the dollar. I bought the Canonet 35MM rangefinder camera which you recommended, and saved 30%."—*Robert D. Goodrich; Tucson, Ariz.*

• "Your article 'How to Fight a Traffic Ticket' saved me a $200 lawyer's fee *and* a ticket."—*W.R. Wendel; Hicksville, N.Y.*

• "Your article on how to save $100 on a color TV worked. **Moneysworth** sure knows how to hold onto the green."—*P. Allen; Dir. Student Union; Henderson College; Arkadelphia, Ark.*

• "Your article on 'coupon refunding' got my husband and me hooked on the hobby. It saves us enough each year to pay for our vacation."—*Grace Ellen Feingold; Brooklyn, N.Y.*

• "You sure did us a good turn recommending Mayflower for our move from California to Minnesota. The bill was a hundred bucks *under* the estimate!"—*Donald J. Ganser; Owatonna, Minn.*

• "**Moneysworth**'s investment news dispatches enabled me to make over $2,200 in less than a year. Yours is one of the most intelligent, down-to-earth, to-the-point periodicals I've ever read."—*Ruth Pantell; Yonkers, N.Y.*

• "Your article on TV game shows gave me confidence to try for 'The $10,000 Pyramid.' I won $850!"—*Ted Zammit; Franklin Square, N.Y.*

• "Your suggestion that I use a fake name in the phone directory, instead of paying $1 per month for an unlisted number, alone pays for my **Moneysworth** subscription several times over."—*Carlyle B. Russell; New York.*

• "Your report that dentures cost only $40 at the Sexton-Shealy Dental Clinic of Florence, South Carolina, saved me *hundreds* of dollars. They fitted me up in 24 hours and I completed the entire procedure during a vacation to Florida."—*Mrs. H. Petruccio; Frackville, Pa.*

• "**Moneysworth** is aptly named. To paraphrase Churchill, 'Never have so many paid so little for so much'."—*D. Alpern; Pittsburgh, Pa.*

As you can see, reading **Moneysworth** is like being born with a silver spoon in your mouth. It is absolute protection against the ups and downs of economic fortune.

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28*

EXECUTIVE TRENDS BY JOHN COSTELLO
Associate Editor

Selling Know-How Abroad

Ledex, Inc., a little Dayton, Ohio, electronics firm, does a big business abroad. Last year, its overseas revenues came to nearly $5 million.

Its performance won it an E star—for excellence in exporting—from the U. S. Department of Commerce.

Ledex makes electronic components and communications systems.

"But the bulk of our business overseas isn't hardware," says Charles J. Berthy, vice president and general manager, international division. "More than $3 million came from sale of know-how.

"We provide technical assistance, including marketing help, to manufacturing affiliates overseas on a royalty basis. Our major licensee is in Japan—a paradox, since we're in the electronics business. Electronics is supposed to be Japan's dish."

The 28-year-old firm has found a way to tap a growing market.

"Technology transfer is a big business," says Claude R. Shirai, managing director, Washington Nichibei Consultants, Ltd. "It's another way to cash in on expertise. It can mean extra revenue for a firm—sometimes with no capital investment abroad.

"In a joint venture, for example, a U. S. firm can chip in technology in return for the overseas partner's capital. Japan alone is spending $600 million a year to pay for know-how imported from abroad.

"The lion's share represents fees, royalties, and the like paid to American business firms."

Here's what U. S. companies earned that way, from major foreign customers, in 1974. Commerce Department compiled the statistics.

Source	Income (in millions)
Japan	$249
European Community (West Ger., Fr., Italy, Bel., Lux., Neth.)	$193
United Kingdom	$ 81
Canada	$ 39

"We're not even selling proprietary information," says Ledex's Mr. Berthy. "Most of our patents have expired. But we make design engineering products, like solenoid devices, that you don't sell off the shelf. You need know-how to make and sell them."

What's Read Most in Annual Reports

Fancy, four-color bar charts showing how the company has done over the years?

Reports on company acquisitions?

Not many stockholders find them of key interest in annual reports.

That's what Winthrop C. Neilson, principal, Georgeson & Co., says. The New York investor relations firm asked small investors a number of questions about annual reports and the information the reports contain.

One question: What sections of the annual report interest you most? The replies:

Earnings per share	31%
Stockholder letter	19%
Statistics	15%
Future prospects	12%
Financial highlights	9%

Ranking lowest in reader interest were acquisitions and company history, one percent each. Photos and proxy statements were of most interest to two percent.

Replies to other questions in the survey—and stockholders' replies:

	Yes	No	Some
Do you know the dividends on your stocks?	74%	19%	7%
Do you know the earnings per share?	43%	49%	8%
Do you know the names of the companies' top officers?	21%	59%	20%

Fifteen percent of stockholders say they don't read annual reports. Twenty-five percent spend less than five minutes reading them; 26 percent spend six to 15 minutes; 20 percent, 15 to 30 minutes; 14 percent, more than half an hour.

The value of the annual report as

A Long Distance call can be a charming bill collector.

Long Distance means business.

Bell System

an image-builder wasn't examined.

"The study was made several years ago," says Mr. Neilson. "But informal surveys we have made since then show virtually identical results."

Pension Plans and Red Tape

Washington may be strangling many pension programs with its red tape.

Last year, 5,035 pension plans were terminated.

Before Congress passed the Employee Retirement Income Security Act of 1974, normal attrition was estimated at 1,200 for 1975.

Max Weil, a New York pension consultant, blames many of the casualties on Washington.

"The paperwork involved is horrendous for companies with pension plans," he says. "It's hardest on smaller firms. And that's where most of the pension programs are found.

"More than 90 percent of the half-million qualified pension plans cover fewer than 26 people."

Of 198,754 plans approved by Internal Revenue Service between July 1, 1970, and June 30, 1974, 92 percent covered from one to 25 people.

One remedy Mr. Weil suggests: Streamline the paperwork for firms with fewer than 100 employees. Some congressmen agree with him. There's a move afoot on Capitol Hill to simplify reporting and disclosure requirements for small pension plans.

Rep. John N. Erlenborn (R.-Ill.) says these requirements alone can boost pension costs more than 25 percent for some firms.

Weathervane for Wall Street?

Bull market—or bear? Stocks climbing upward—or ready for a plunge?

One clue is what's going on in merrie old England. So says one highly regarded expert.

"There has been a broad sympathetic relationship between the London market and our own for many years," writes William X. Scheinman in "Timings," an advisory service of Arthur Wiesenberger & Co., Inc., New York.

He adds: "Our theory, simply stated, is that the economic, monetary, and social conditions in the United Kingdom are so inferior to those in the United States that if the London market can thrive, the U. S. market should do so, in spades."

What has Blimey's shore been saying recently?

Last year, Mr. Scheinman notes, "London industrials peaked in June, a month before our stock market, after rising about 150 percent from a January low."

In August, he adds, London industrials hit a summer low, then made a new high near year-end.

"Since the London market has demonstrated such a good record in leading our market all last year," he says, "we believe it should continue to be closely monitored as a possible clue to the direction of our own market."

Personal Use of the Company Car

More and more firms allow personal use of the company car.

That's what the National Association of Fleet Administrators, Inc., found in a survey of owners of auto fleets.

Only one out of 180 flatly forbids it, NAFA's "Bulletin" says.

Here's what the survey shows on personal use of the company car:

	1975
By employee	99.4%
By spouse	94.0%
By licensed children	54.0%
By others	9.0%

What if an employee uses his own car for company business, instead of being furnished one by his employer? Here's how he's reimbursed:

Rate Per Mile	1975	1974
10 cents or less	6%	8%
11 to 12 cents	34%	47%
13 to 14 cents	33%	16%
15 cents or more	31%	27%

The totals don't add to 100, says John Polgrean, NAFA's director of publications, because of rounding and some fractional rates such as 12½ cents.

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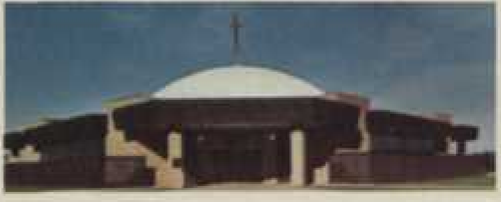

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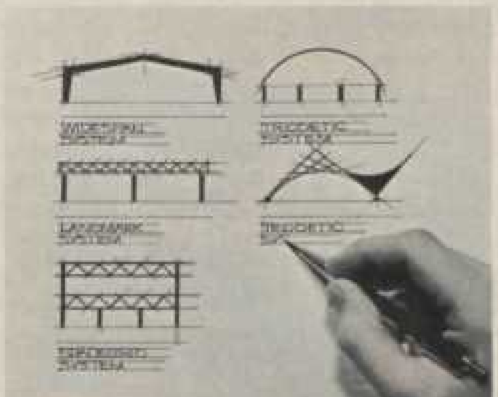

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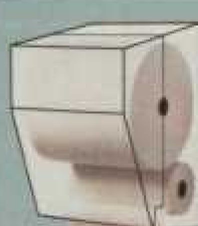
When he finds a stub roll, he can leave it in the cabinet and hope it doesn't run out. Or, he can remove the stub roll and put in a fresh roll. If he removes it, you may be wasting as much as 25% of the roll towels you buy.



Now use almost every inch of the towels you buy.

Fort Howard's Commander I Cabinet lets you load a new 700-foot roll while the stub roll—up to 3½ inches in diameter—is still being used. After the stub roll is used up, towels from the new roll dispense automatically. So you use almost every inch of towels you buy.

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If you'd like to see how our new Commander I Cabinet can help you reduce roll towel waste and provide more uninterrupted towel service, write us on your business letterhead. We'll send one of our sales representatives over with a sample cabinet and a Commander I Savings Scale to show you how much you can save.

You have nothing to lose but your stub roll waste.

Fort Howard Paper

Green Bay, Wisconsin 54305

The Waste Watchers.

BY JAMES J. KILPATRICK

Why the American Press Is in Trouble

The American press is in trouble. The trouble is partly owing to causes we can't do much about; and the trouble is partly our own fault. We ought to talk about these things.

Let me define a term, like Humpty-Dumpty, so that it means what I want it to mean and neither more nor less. By press, for the purpose of these observations, I mean the country's daily newspapers. This indicates no indifference to problems of magazines or of the people who produce news for radio and TV. They have their troubles, too, and of course they also are part of the press or, in the suit-and-tie word, part of the media. It is only that I started in newspapering as a 12-year-old copyboy for the "Oklahoma City Times"—that was a fairly considerable time ago—and daily newspapers are my first love.

We are in trouble. Almost everything else in the country is growing. The press is standing still. In 1974, as a matter of fact, we went backward. Daily circulation fell from 63.1 million to 61.8 million; the number of daily papers slipped from 1,774 to 1,768. I haven't yet seen the figures for 1975, but they won't be significantly brighter. They're probably worse. Most of the papers are still earning a profit, but the profits aren't remarkably high; and some papers, like my own "Washington Star," have suffered such bleeding losses that they teeter on the edge of collapse.

What has gone wrong? Some of the factors are economic, some technological, some competitive. A part of the melancholy picture arises from the changing nature of our people: When it comes to communication, we are no longer a nation predominantly of readers, but of viewers and hearers. There is one factor more, of greater concern than the others: The press has failed, by and large, in its first responsibility for its own growth and survival. We have not sold the people on the meaning and necessity of a free press in a free society. Accordingly, we have lost the confidence—or failed to gain the confidence in the first place—of many readers we sorely need.

Newspapering's economics are crazy; it is like no other business on earth. It permits no inventories and no stockpile; you can no more sell yesterday's newspaper than you can sell last week's matinee. There is a similarity to show biz: The end product of entertainment is entertainment, which is its own ephemeral reason for existing. The end product of newspapering is a newspaper, which has no intrinsic function. You can use a newspaper to start a fire, or wrap a fish, or line a shelf, or swat the cat; but our product, basically, is information. You cannot wear it, drive it, eat it, drink it, or live in it. It isn't the product itself—the physical newspaper—that earns a profit; it's the advertising that pays our way. The high cost of newsprint and the high cost of labor have made it all touch and go.

The technology is changing. Until quite recently, we were printing papers essentially as Mr. Gutenberg printed Bibles 500 years ago. Now, we are caught in a revolutionary transition from hot metal to cold type. The costly new machines ultimately will produce economies; meanwhile, they produce headaches, earlier deadlines, and grief from the unions.

Competition changes also. Most people say that they get most of their news from television, and, in a superficial sense, this may be so. What they get is headlines, tidbits, capsules—and they get even this meager diet fleetingly by eye and ear. The broadcast media, whose fare is primarily entertainment, anyhow, never can offer more than a small fraction of the information that a newspaper offers its readers in permanent form, at their own selection, at their own convenience. The significant competition is for the advertising dollar. Here we struggle.

We are struggling in relation to another phenomenon: the changing nature of literacy, or what passes for literacy. Something of enormous importance is happening here; we cannot yet comprehend it fully. The median age in the United States is 28. Half of our people were born before 1947, half after; and this is to say, half before TV, half after TV. It is an oversimplification, but not a gross oversimplification, to contrast an old and declining generation of readers and a new and rising generation of nonreaders. For those of us whose lives are bound to the printed word, the implications inevitably are sobering.

In fact, all of these considerations are sobering, but matters of economics, technology, competition, and literacy would not trouble us so greatly if it were not for the final concern. This is the relatively low regard in which the press is held. Periodically, the Gallup and Harris pollsters attempt to measure the confidence of the American people in various American institutions. Like other subjective data, not subject to empirical confirmation, the figures do not have to be accepted as precisely true; but if the figures are only generally true, the people have little

more confidence in the press than they have in the United States Congress. It is a terrible prospect to ponder.

Assuming, arguendo, that this is so, we of the press ought to inquire why this is so. One explanation—I think it a feeble explanation—is that no one loves the messenger who brings bad news. In recent years, the press has dealt mostly in bad news; therefore, no one loves the press. But what we are dealing in is the raw stuff of history, and always and inevitably, as Gibbon said, history is largely a record of the crimes, follies, and misfortunes of mankind. Newspapers have been bringing bad news for years; and once, the press flourished.

I suspect the declining level of confidence may be traced to other causes. Three come especially to mind: We make too many errors and do not correct enough of them; we too often blur the line between straight news and editorial opinion; and we have acquired a reputation of being rather too big for our britches.

To produce a daily paper is to produce a daily miracle. It is a never-ending wonder, even to those who have spent their lives in the process, that all of the copy gets written, set, printed, and into the trucks on time. In such a crash operation, errors are inevitable—errors of fact, errors of understanding. An increasing number of newspapers regularly run correction boxes. The practice ought to be universal; it would be one way to regain public confidence.

Also, it seems to me, we should observe rigorously the rule that news is news, and opinion is opinion, and the two ought never to be confused. Once, it was different. Most newspapers were partisan organs. The customer who bought the "Richmond Whig" knew what he was getting, and if he didn't like it he could buy the "Enquirer" or "Times" instead. Only a handful of major cities today offer competing papers with opposing editorial philosophies. This makes it all the more important for editors to make certain—as certain as they can—that news is presented fairly and cleanly, without trace of partisanship or bias. Opinion should be plainly labeled as such. I would warn the unsophisticated reader with a kind of highway sign: "This article is not presented as 'news,' but rather as analysis and interpretation; it reflects the opinion of the writer whose byline appears below." On every issue of serious controversy, I would try to carry opposing opinions. A newspaper can state its own position in its own editorials.

On the third point: I have a notion that newspapers would do well to pull in their horns for a while. The impression still is widely held that the press hounded Richard Nixon out of office. The charge, in my view, is not true. Granted, a spirit of mutual animus existed between the President and the Washington press corps. The Watergate scandals were reported with a furious intensity not observed in previous administrations. But it was the courts and the Congress that exposed the story and impelled the resignation.

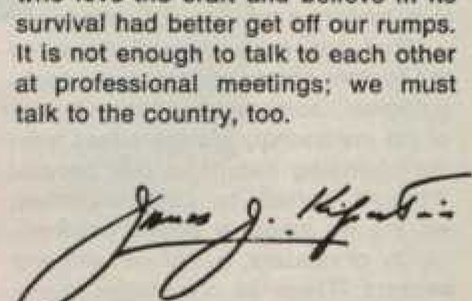
Nevertheless, an impression persists that the press—and here I would include TV also—is abusing its power. We are thought to be throwing our weight around. Instead of reporting the news, we are said to be shaping the news; we are not spectators, but actors. Reporters have an obligation to persist in their efforts to dig out the news, but there is a fine line between persisting and bullying, between aggressive journalism and insulting conduct. The Lord did not mean reporters to be celebrities or prima donnas. A little less high-and-mightiness would be marvelously welcome.

Our most serious mistake—our failure to sell the concept of a free press—has its ironical aspects. Here we are in the business of communication, and we do not communicate the one idea on which our very existence depends. Newspapermen rarely write about newspapers. I am no exception. I have been writing these pieces for *Nation's Business* for two years, and this is the first time I have written a line about the press. We ought to untie our tongues.

A free press is vital to a free people. Unhappily, this fundamental conviction is not universally held. To believe in freedom—really, truly to believe in freedom—is the most difficult of all political theologies. It demands tolerance, and tolerance is among the rarest of human virtues. To put up with the other guy's misguided ideas requires patience; and when the other guy's ideas are not merely misguided, but rude, distasteful, blasphemous, or evil, it's difficult to pay even lip service to the First Amendment. My guess is that not ten percent of our people believe absolutely in a free press.

Sad to say, this also seems to be increasingly true of judges. The most insidious of all threats to a free press—the threat of "prior restraint"—is creeping through the bench. This notion holds that judges have the power to issue orders, enforceable by prison sentences for contempt, to prevent newspapers from publishing certain material. Such orders, whether issued in the name of fair trial or national security, are becoming more frequent. This is the path that leads ultimately, far down the road, to despotism.

I do not mean to cry gloom and doom. Our press is still the freest in the world. Legions of young people still hunger for newspaper jobs. We still sell an awful lot of papers. But the troubles are there, and we who love the craft and believe in its survival had better get off our rumps. It is not enough to talk to each other at professional meetings; we must talk to the country, too.



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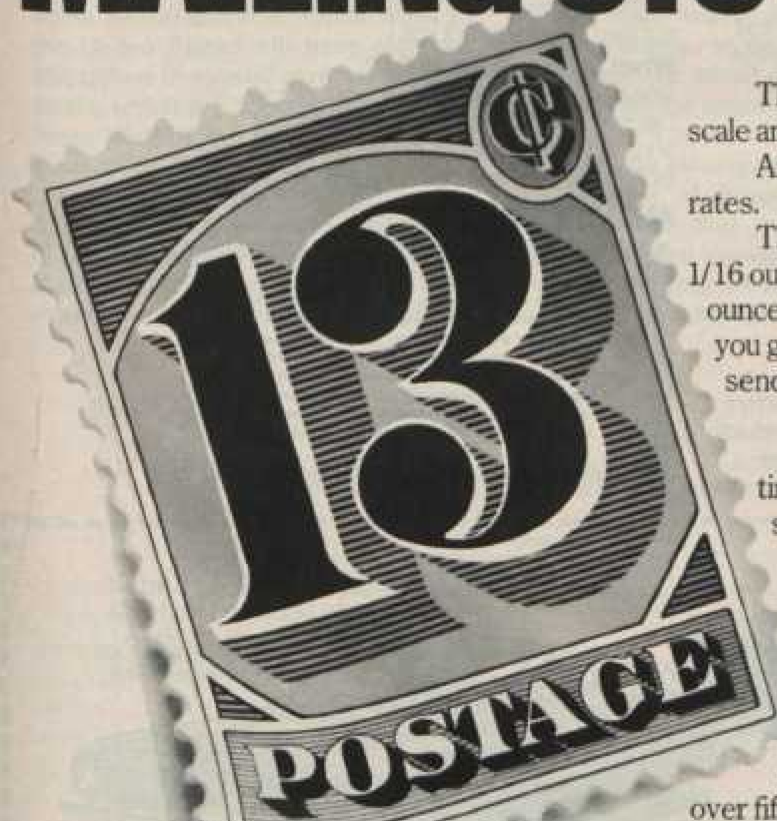

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More Federal Control of Revenue Sharing?

When Congress approved the general revenue sharing program in 1972, proponents hailed the action as the birth of a "new American revolution" that would reduce the swollen power of the federal government in relation to the states.

The program is scheduled to expire at the end of this year. By then, some 39,000 political jurisdictions in the United States will have received $30 billion in federal revenue sharing funds, which are spendable under far fewer Washington restrictions than is customary in federal aid programs.

Congress is now faced with continuing the program as is, revamping it, or scrapping it. Arguments are loud on all sides. President Ford would like to see revenue sharing extended for six more years at a cost to the Treasury of nearly $40 billion.

The theory behind the program is that local communities know their own problems better than the federal government and can get more return for each federal dollar spent.

While revenue sharing has broad support in Congress and is now depended upon heavily by most localities and states, some conservatives are concerned about the size of the program. At the same time, some liberals claim it is not doing enough for the poor, the elderly, and minorities.

A number of senators and congressmen feel that the federal government retains too little control over revenue sharing money and that some of the funds are being spent on unneeded projects. Some would like to see the formula changed to ensure that a larger share goes to financially strapped cities and states.

Chairman George Mahon of the House Appropriations Committee, who wants tighter congressional control over revenue sharing, says:

"We have all been inoculated with this virus. . . . We will probably have [revenue sharing] until the sands of the desert grow cold."

But President Ford says that "if we tinker with the formula" for revenue sharing, "it would be my fear . . . that the whole program would not be extended."

What do you think? Should revenue sharing be continued, without attachment of federal strings?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20062

Should the revenue sharing program be continued as is? ☐ Yes ☐ No

Comments: ....

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Name and title ....
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SOUND OFF RESPONSE

Making Federal Deficits Unconstitutional

If *Nation's Business* readers responding to December's "Sound Off to the Editor" question had their way, federal deficit spending would be illegal.

More than 95 out of 100 answers are in the affirmative to the question, "Should we amend the Constitution to require balanced federal budgets?"

Such an amendment has been proposed in the Senate and is awaiting action. The amendment would force Congress to lower expenditures to the level of anticipated revenues or

Joseph J. Gurney, a vice president of American Can Co., Greenwich, Conn., says: "Since so few congressmen understand economics, it is imperative to amend the Constitution."

to raise taxes to cover higher spending.

Seldom has the response to a "Sound Off" poll been so lopsided or so heavy. Running through the comments are the threads of thought that such an amendment is an absolute necessity and should be passed as soon as possible.

Joe Jones, president, Jones-Maynard Insurance Agency, Inc., Rutland, Vt., says: "I'm sure that 200 years ago, the founders never dreamed of men in our Congress acting so freely with the taxpayers' money. Congress must balance its budgets, or we will go down the drain."

"The road to fiscal sanity will be increasingly rough the longer we delay the journey," says Gunnar Grotness, president, PHD, Inc., Ft. Wayne, Ind. "We cannot adopt this amendment too soon."

Says John Herrmann, director of sales, Thermoplastics Division, Borden Chemical, Leominster, Mass.: "Everyone believes in fiscal responsibility, but budgetary decisions are made on a political basis. Until there is a reason to change, the government will continue to outspend its income. Eventually, this will result in ruinous inflation."

W. J. Heimerman, senior vice president and trust officer, Northwestern National Bank, Sioux Falls, S. Dak., feels that "since the members of Congress learned that they can attract more votes by promising and spending excessively, it appears there is no way to reinstitute fiscal responsibility except through a constitutional amendment."

"Keynesian economics is obviously a failure, primarily because our politicians find it impossible to reduce spending in good years to balance deficit spending in bad years," says J. S. Bodolay, president, Bodolay Packaging Machinery, Inc., Lakeland, Fla. "It will take an amendment to force fiscal responsibility."

Oakley W. Cheney, Jr., a senior vice president of First National Bank

Ronald McGuire, vice president, LaFrance Precision Casting Co., Philadelphia, votes no. "Amending the Constitution," he says, "will not reduce spending—it will only force taxes up."

in Dallas, agrees: "If Congress could be depended upon to act responsibly, such an amendment would not be necessary. Flexibility in meeting changing economic circumstances is certainly desirable. But Congress is not responsible, and further restraint is desirable."

"If money were a commodity, there would be no problem," says Robert M. Nady, owner, Nady Engineering Service, Nevada, Iowa. "When there is no more water, the pump stops. One would hope that rational people with legislative responsibilities could figure this out. Sadly, it seems they can't. I would support an amendment if there is no other way to achieve common sense about such an obvious truth."

Many of those opposing such an amendment say they, too, favor a balanced budget. But they add that

Richard H. Francis, vice president and treasurer, American Standard, Inc., New York, votes yes, but says an annual balance is impractical and suggests a balance over each presidential term.

changing the Constitution is not the way to achieve it.

DeWayne Baskette, secretary-treasurer, McDowell Enterprises, Inc., Nashville, asserts: "We simply cannot provide legislation or a constitutional amendment for everything. I personally favor a balanced budget and support tax cuts only if accompanied by a decrease in government spending, but I do not favor an amendment."

Says James F. Williamson, chief plant engineer, Dahlstrom Machine Works, Inc., Schiller Park, Ill.: "I do favor a balanced budget in all but crisis situations. A law other than an amendment would be more appropriate, perhaps."

Dennis M. Lawler, division manager, Wisconsin Electric Power Co., Oak Creek, Wis., favors an amendment and doesn't see inflexibility as a problem. "Government spending should be based on the need for government services, not on a desire to boost the economy," he says. "That spending should be paid for by today's taxpayer, not tomorrow's."

How to form your own corporation without a lawyer for under $50.00

By Ted Nicholas

You may have considered incorporating. I'm sure you want to accomplish this in the most economical way. You may already be in business and are looking for ways to save tax dollars or limit personal liability.

You can benefit from this report if you are planning a one man business if you are associated with a partner or are the owner of a large company.

This exciting report shows you step by step how you can accomplish this for less than $50.00. It contains tear out forms for everything that is needed! This includes minutes, by-laws, and the actual certificate of incorporation!

It is presented in simple, clear language.

You'll learn of the many benefits of incorporating either an existing business or one that is planned.

Some of the features of the report is information on:

How you can incorporate without any capital requirement with zero capital.

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How to actually form a corporation step by step. Included are instructions on completing the forms.

How to own and operate a corporation anonymously if desired. This assures maximum privacy.

How to form a non profit corporation. How to utilize tax "gimmicks" to personal advantage.

Find out why lawyers charge huge fees for incorporating services even when often times they prefer not to.

Learn how and why you can legally incorporate without the services of a lawyer. There is a fallacy in that most people feel it is necessary to have a lawyer to incorporate.

How to form an "open" or "close" corporation and the difference between them. Report contains tear out forms.

Sub Chapter S Corporations. What they are. How to set one up. How to operate a business as a corporation, yet be taxed on individual tax rates if more advantageous.

Learn about the many dangers and hazards of not incorporating partnerships and proprietorships.

What a Registered Agent is. How assistance is provided to individuals who incorporate. The most economical company to use. A complete section on this.

How to cut out all fees of the "middle man" normally involved in forming a corporation.

How a *"professional"* can benefit from incorporating.

How to save from $300 to over $1,000 in the formation of the corporation alone!

What a *"foreign"* **corporation is.** A State by State list of the filing fees involved in registering a "foreign" corporation.

Learn how a corporation can sell its stock to raise capital at any time.

How a single individual can be President, Secretary and Treasurer. There is no need to have anyone involved except a single stockholder although, of course, as many as desired can be included.

How to arrange for any stock sold to an investor in a corporation to be tax deductible to the investor's personal income in the event of loss. This makes the sale of stock in a corporation far more attractive to an investor.

An outline of the many situations where an individual would benefit by incorporating.

How to legally incorporate and sell stock in a corporation without "registering" the stock.

What par and no-par value stock is and which is the most practical.

How an existing, unincorporated business anywhere in the United States can benefit by incorporating. Also included are the steps to take after incorporating.

The reasons why ⅔rds of the corporations listed on the American and New York Stock Exchanges incorporate in Delaware—the State most friendly to corporations—and how you can have the same benefits as the largest corporations in America.

What to do if you are already incorporated in another state and want to take advantage of incorporating in Delaware, without ever visiting the State.

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"If I'd known about this I would have incorporated years ago." —Salesman
"This report is a handy reference for me." —Lawyer
"The author is experienced in the corporate world, giving him the qualifications to write this book." —Judge
"Fantastic! Do you want a partner?" —Lawyer
"Good idea. Brings the concept of being incorporated within the reach of anyone." —Artist
"I was quoted a price of $1,000 each for 3 corporations I want to form! This report saves me almost $3,000!" —Business Owner
"Excellent! Written so that anyone can understand it." —Secretary
"Takes the mystery out of forming a corporation." —Printer
"Very well written. Will encourage many small businesses to incorporate." —Housewife
"Well written. Will eventually produce more business for lawyers." —Lawyer
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LETTERS TO THE EDITOR

True Federal Fiscal Figures

I was pleased to see your article, "How to Spot Future Fiscal Crises in Government" [December], based on the recent Arthur Andersen & Co. proposal that governments adopt financial reporting practices used in business.

The same Andersen report led me to introduce a bill (H. R. 10855) to require that the federal government publish an annual consolidated financial statement on an accrual basis.

This legislation has been received very favorably and now has more than 80 congressional cosponsors—Democrats and Republicans, liberals and conservatives.

REP. PHILIP M. CRANE (R.-ILL.)
U. S. House of Representatives
Washington, D. C.

Disturbed about executives

There were some very disturbing things about the article, "The Outlook for Executive Pay" [December], by Robert E. Sibson.

It would appear that highly paid executives would be well advised to hold the line on additional pay increases for themselves.

As one who built a business from scratch, provided employment for many people, and tried to keep his own and his executives' salaries at a reasonable level, I find it shocking to read that an executive drawing $60,000 in 1964 is now making $100,000 and expects to receive $125,000 next year. As Mr. Sibson points out, if these trends continue, this same executive will be paid $235,000 in 1984. By then, he will surely need a German-made, post-World War I wheelbarrow to cart home his pay.

Equally disturbing is Mr. Sibson's report that many executives own little or no stock in the companies they manage. If true, is not a fraud being foisted upon the unsuspecting investor, who is encouraged to buy shares in companies managed by people without enough confidence in the companies to own even a single share?

Unless reason replaces greed in the world of big business, big government, and big labor, there can be no solution to our growing economic problems.

AL SCHOCK
President
Nordica International, Inc.
Sioux Falls, S. Dak.

Government's big spenders

Re your December editorial on the alarming increase in federal spending.

Why put the most important message you have to convey on the last page of the issue? It would have made quite a cover for NATION'S BUSINESS. Its message and the values inherent in the bicentennial ought to be the story line for 1976.

CHARLES C. COON
President
American Motors Conference
Arlington, Va.

Self-protection for businesses

Your magazine has concerned itself with the problem of protecting businesses from dishonest employees, and I compliment you for your efforts to help those of us involved in the hiring and disciplinary process within management. The task we have to face to protect our company and our employees from criminals of all kinds is an almost impossible one.

Once a criminal gets into the work force, the odds are that he and his associates will spread the criminal disease to many others.

In one instance, I accidentally hired a former felon after he was released from prison. When I discovered he had been in prison, he came up with a great story, and I let him continue to work. While in our employ, he stole and used our drug (not narcotics) products. He also organized a group of young men, 18 to 20 years of age, to steal for him.

The criminal record is a public record and should be accessible to the community and the employer. Otherwise the criminal plague will continue to haunt the community and,

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CH1/5

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2. We can help you attract and hold corporate talent. Studies have proven that a city's cultural atmosphere is often a decisive factor when executives consider moving to a new city. The Chicago Symphony helps make Chicago a vital, appealing place to live.

3. We bring music to your children. The Orchestra plays regular daytime concerts for young people and sends ensembles and speakers into more than 200 inner city schools each year. The Chicago Symphony also underwrites the Civic Orchestra, a school for talented young musicians.

4. We deserve more than we earn. Ticket sales account for only 48% of our budget. The rest must come from private contributions. This year alone, the Chicago Symphony must raise $2,300,000 from private sources.

5. We're your ambassador to overseas markets. The Orchestra carries Chicago's good name to the major capitals of Europe and the world. The tremendous amount of good publicity generated by Chicago Symphony tours has benefited and will continue to benefit business at home.

6. We garner the top awards in our field. Sir Georg Solti has taken the finest musicians and molded them into the best symphony on earth. Recordings by the Chicago Symphony have won 14 "Grammy" awards, the top honor offered by the recording industry. We've won the coveted "Best Classical Album of the Year" award, not just once—but three times! The Chicago Symphony merits your investment and support.

7. It's good to know you're giving to the best. "The Chicago Symphony is unmatched in discipline and refinement." -*N.Y. Times*. "The finest Orchestra in the world today."-*London Daily Telegraph*.

8. We've got the people behind us—but we need you. Last year more than half a million people attended Chicago Symphony concerts. In the last four years alone, public support has doubled. Subscription concerts are frequently S.R.O. Last October in Woodfield Mall, the Orchestra played to more than 30,000 avid fans. The people of Chicago are with the Symphony. We still need the broad support from the Chicago business community.

9. Nobody will tax your generosity. All contributions to the Chicago Symphony are fully tax deductible. Corporate support for the Chicago Symphony ranges from $200-$50,000 depending on the size of the company. Please contribute as much as you can. It's a small investment. But the dividends are enormous.

We'd be glad to tell you more about how your company can help support the Chicago Symphony. Inquiries and contributions should be directed to Phil Whitacre, Director of Development, Chicago Symphony Orchestra, 220 S. Michigan Ave., Chicago, Illinois 60604. Telephone 312/427-6406.

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JOHN P. CRANE
Vice President, Industrial Relations
Rexall Drug Co.
St. Louis, Mo.

40 and eight

In your "Business: A Look Ahead" column [December], an item on legislative moves concerning the minimum pay, the standard workweek, and overtime says that the present "overtime rate is time and a half after eight hours." It is my impression that time and a half after eight hours is applicable to individuals who have a government contract, but that the Fair Labor Standards Act specifies overtime must be paid after 40 hours of work in a week.

H. WILLIAM TOWNSLEY
Vice President
Administrative Services
Michigan Life Insurance Co./National Casualty Co.
Southfield, Mich.

[*Editor's Note: Our error. The sentence should have read: "The overtime rate is time and a half after 40 hours, but organized labor wants overtime when the workday exceeds eight hours."*]

"Marxist" programs

Re your article, "Travel Stamps: A New Welfare Program is on the Way" [November].

Nowhere did the author condemn this socialistic program, which would increase the scope and size of our bureaucracy. In fact, I did not see a single suggestion that Americans should vigorously oppose such Marxist programs, which would increase taxes and bring us even closer to bankruptcy.

HAROLD B. KEY
Town and Country Studio
Jackson, Tenn.

For men only?

I could hardly believe my eyes.

In "Letters to the Editor" [December], you were properly criticized, not once but twice, for the use of sexist language in assuming that executives must necessarily be men. Yet an article a few pages later, "The Right Way to Straighten Out a Young Manager," consistently assumed a junior executive would be a young man.

Don't you ever learn from your mistakes?

EVELYN FISHER
Kansas City, Kans.

Capitalism's World Struggle

Private enterprise and democracy exist in fewer nations today than only a few years ago. Ambassador Moynihan discusses why this has happened, capitalism's global future, and danger to private enterprise in our own country

PHOTO: DENNIS BRACK—BLACK STAR

Daniel Patrick Moynihan, United States ambassador to the United Nations, is one of the most candid and controversial public figures in America. He freely expresses himself verbally and in writing on subjects ranging from current issues in national and international politics to the future of mankind.

During his 48 years, this six-foot-four-inch thinker has been a Harvard professor, written scores of scholarly books and articles, and held high posts in the administrations of four Presidents.

One theme running through much of his thinking is that capitalism faces increasing trouble in many areas of the world. He deplores this. He sees private enterprise as going hand in hand with democracy. He is convinced freedom of choice—economic and political—is the most effective system in providing for the well-being of the people.

In this interview conducted by a Nation's Business editor at the U. S. Mission to the United Nations in New York, Ambassador Moynihan discusses the capitalist predicament. It is important to note that he holds real hope that the private enterprise system will survive.

Mr. Ambassador, is it your view that the democratic-capitalistic system is diminishing in many areas of the world?

Could I put your question differently? There are, roughly speaking, two kinds of democratic regimes in the world. One such as ours would be termed democratic-capitalist. Others—many European countries come to mind—might be called democratic-socialist. In any event, in such countries democratic-socialist parties regularly come to power, as they are in power in Germany and Britain today.

It is this area of democratic government, whether it be capitalist or socialist, that is enormously diminished.

for Survival

AN INTERVIEW WITH UNITED NATIONS AMBASSADOR DANIEL PATRICK MOYNIHAN

The rise in power of the Soviet Union and its satellites and the rise in power of the People's Republic of China are two reasons for this diminution. Another reason is the increase elsewhere in the number of political and economic systems that are competitive with capitalism.

It is most disappointing to me that so many of the new nations which were established as democracies after the second world war, during the decolonization process, have now changed their systems to state-socialism. Small elites run them, and they aren't sharing societies. They aren't even socialist. The power of the state has been merged with business, and you have the greatest concentration of power that's possible.

The area of capitalistic regimes is now back to about the same size it was in 1850.

Look across the avenue there at the United Nations. There are 144 member countries, and only about two dozen could be described as democracies. At most, only about one third have any commitment to what could be described as a capitalistic society.

Take Africa. Democracy was an important aspect of independence for many African nations when they came into being in the years after 1945.

Then, one by one, they lapsed.

The International Press Institute in Zurich says there is only one nation in all of Africa with a free press. That's South Africa, and its press is free only for the whites.

What has been happening in Latin America?

Sir, we are back about where we were in 1850.

Military-statist governments have taken control in many Latin American countries. In all truth, we are seeing something not so different from events in Latin America in the 1830's.

Many Latin American nations began life as constitutional liberal societies—but now, look what has been happening.

Aside from the external force of Soviet or Red Chinese power, what internal forces have led to the change from capitalist democracy to state socialism in so many countries?

Not that many countries have actually shifted from a developed market economy to a socialist one. What has happened is that the new nations have opted for state-directed economies. There are at least two reasons. First, this was the ideology most in fashion in the European universities where the leaders of the new nations were educated and also was the ideology of the European political parties which most espoused independence. Second, state socialism—or state capitalism, they come to the same thing—has proved a convenient excuse for concentrating power in the hands of those at the head of the government.

Is there anything Americans can do to reverse this anticapitalist trend in other countries?

Incomparably the most important thing we can do—indeed, the only thing we can do—is to maintain an efficient and productive market economy here at home, an economy of full employment and high output. That example, along with the example of the success of the developing nations, such as Taiwan and Singapore, which have opted for free markets also, will do more than anything any of us could say.

Many people feel capitalism is on the decline in the U. S. Are there lessons to be learned in what has happened abroad?

The most important lesson, I should think, is that there are some forms of business and government cooperation which are economically effective and some which are deadly. Any of us would cite Japan as an example of the former, and we all know examples of the latter. Both need to be studied.

What would you say is the greatest danger that capitalism faces in countries like ours?

The case has been made by the late Harvard economics professor, Joseph A. Schumpeter—who emerges as the most prophetic of 20th century economists—that capitalism will be undone by its own successes. The success of so many business enterprises will begin to make it seem that success is no great problem to produce and that capitalism, which actually is necessary for these successes, is really not important.

Schumpeter anticipated the great cry in some portions of society that we consume too much. Now, you can't get to thinking you consume too much until you consume a lot and until you get to thinking: What is so unusual about being able to consume a lot?

We've had success with capitalism—tremendous success. Schumpeter said our successes would be made to look ordinary. Take a supply of clean water, for example. I was raised in poor circumstances here in New York City, but nothing was more ordinary to me than to have clean water in the faucet. However, after I was ambassador to India for a couple of years, I realized that, for many people there, clean water is a luxury.

In similar ways, I assume there is beer in the icebox when I look for

it. And so forth. The supply of these things is a success we take for granted. They are products of our capitalist system, and they can disappear.

Taking success for granted can be a problem for the individual company as well as for society and individuals. Look around at some of the great corporations of this country. They were not founded by ordinary people. They were founded by people with extraordinary energy, intelligence, ambition, aggressiveness. All those factors go into the primordial capitalist urge.

Many of these corporations are led by exceptionally competent people today. But sometimes, it has not been in the nature of things for exceptionally competent business leaders to be succeeded by men of equal stature.

Schumpeter also said—and this is powerfully important—that it is the nature of capitalist societies to create an intelligentsia which would be hostile to capitalism. Indeed, that the intelligentsia would subvert capitalism.

The nature of capitalism is to produce people who are inquiring, dissatisfied, innovative, he said—and the capitalist societies would not only create them, but protect them, encourage them, and in the end be undone by them.

Schumpeter's great phrase was "the creative destruction" of capitalism—meaning that capitalism is constantly making you dissatisfied with things as they are. Last year's automobile isn't good enough. Radio won't do—must have television, color television at that. This is the process of making you dissatisfied in order to provide some new form of satisfaction.

Well, the intellectuals apply that general process to the whole politico-economic system.

Isn't it true that a growing number of people seem to feel that private ownership is inherently evil?

Yes, that's true. One ideological claim is that private property is theft, that the natural product of the existence of property is evil, and that private ownership therefore should not exist.

What those who feel this way don't realize is that property is a notion that has to do with control—that property is a system for the dispersal of power.

The absence of property almost invariably means the concentration of power in the state. The location of power in the state is an issue countries have tried to deal with through the principle of subsidiarity, which goes all the way back to Aquinas. This principle is that you should never assign to a larger entity what can be done by a smaller one. What the family can do, the community shouldn't do. What the community can do, the states shouldn't do. And what the states can do, the federal government shouldn't do.

This has not been the dominant view of intellectuals for the past century. Among most students I have taught at Harvard, the richer their parents, the more they despise riches. The poorer kids don't despise riches so much.

If you don't think it is important to be rich, it is likely you won't be rich for very long.

What weaknesses in capitalism do you find hardest to defend?

First, unemployment. Second, unemployment. Third, unemployment. It is the great failing of American capitalism.

Of course, defining capitalism accurately is difficult. You can't just say that capitalists are people with private property and that noncapitalists are people without property. Capitalism has to do with power as well as ownership and property.

As I've said, property is a form of control, and in capitalist societies like ours, power is vastly more dispersed than in state-socialist societies. About six out of ten American family units own their own homes. Americans own their automobiles. Theirs is a form of control giving them personal freedom which people in theoretically more equal societies don't have. There is little equality in these other societies. There is enormous concentration of power at the top.

Speaking of unemployment, let me add that there is hidden unemployment in places like the Soviet Union. It is disguised unemployment, to use the economist's term.

In the early 1960's, I was assistant secretary of labor under John Kennedy. Then, the great failing of American capitalism was the inability to produce full employment. And the failing is still the same today. The U. S. got below four percent unemployment briefly during the Korean war and toward the end of the Vietnam war. Still, even wartime economies have not gotten us down to percentages such as the European societies have made normal for the past 25 years.

Who are the people in the world most attracted to the U. S. and its economic system?

They are the people of countries just on the other side of the Iron Curtain in Eastern Europe. In other words, they are people in countries with systems completely unlike our own.

What is the outlook for capitalism's future in the world?

For most countries, I feel in most respects a lot gloomier than I felt two or three years ago. But things change, you know.

I know one country of considerable size and importance which gave itself over to state planning and collectivization. It is not doing well at all. It is down awfully. That particular country hopes to get help from the U. S. and isn't getting any. Yet we are prepared to give help. The problem is that our aid arrangements provide for giving help on the regular government-to-government basis. We don't give help to private citizens abroad. But the people in that country don't want help given through their government.

The people there say: "If you give us more like that, we will just make the same mistakes we have made in the past 30 years. What can we do?"

Then, they answer their own question by saying: "Can't you get some private enterprise over here? Can't you get some business over here?"

Look at the Soviet Union right now. It will do a lot to get American private enterprises over there.

Let me add something that may be impolitic. People in the communist countries want American prod-

ucts and American technology. They aren't foolish. They can produce, too, but they know that, if they are to produce new technology, they will have to loosen up their society. Technological creativity comes only from a competitive society like ours.

The communist leaders don't want a competitive society for political reasons. So they want to bring in our technology and have us produce.

But technology is not a secret some people have. It is a way of organizing. Our people know how to organize and figure out the answers. Look at our great companies. They are organized, they have a system that works. They are competitive.

So the comparative showings of capitalism and statism are reasons for some optimism?

Yes. The performance of private enterprise is now beginning to be emphatically greater in contrast to the sort of poor performance of a great many of the planned economies.

In some countries, it is now becoming clear—after a couple of generations of planners—that their system has not worked. I would not say India is moving toward more private enterprise. At the same time, I cannot imagine anybody in India much believes in socialism anymore.

They just can't think of anything else. They admit socialism isn't working, and this is a good sign. Twenty or 25 years ago, they couldn't make that admission.

Adam Smith's "Wealth of Nations" is 200 years old. How are the principles of capitalism that Smith fathered coming along?

Smith set forth more than the principles of capitalism. He originated the "great society" phrase that Lyndon Johnson used.

It is now perceived that Smith was not an economist nearly so much as he was a moralist concerned with virtue and what is right and wrong in society. One of his great perceptions was that private property, private capital, and private enterprise diverted energy from the struggle for control of the state. This meant that political power wasn't really all that important. It made politicians so much less vicious than they had been, so much less destructive.

If you want politics to be less bloody, make government less important. If people cared more, they would create a more liberal society, and by liberal I mean a society with more freedom. A free society such as ours can be brutally indifferent to some things. But in the main, liberty is the concern of all of us, and this is what liberalism is all about.

Many political observers say nations imposing regulations on economic decision-making end up imposing regulations on all decision-making. Do you agree?

They are right. And one question we face as we do more business with nations using state economic planning is: Will we ourselves impose more regulations on economic decision-making as a result?

Because of state economic planning abroad, particularly in the oil-producing countries, our highest ranked political servants now must consider such questions as the refinery price of oil in Rotterdam. I've been through four administrations, and during the days of Presidents Kennedy and Johnson, the American oil companies themselves dealt with the refinery price in Rotterdam.

The oil companies can't take care of that anymore because the Arabs have turned price into a government question.

Look at world wheat trade. Our government is now deeply involved in wheat prices and grain deals. But because we now have to deal with nations using state trading and economic planning, the President of the United States must also get involved. Wheat prices once were settled out in Chicago. Now, prices are settled in Washington.

Considering present trends, what is the future for multinational firms?

Those that are worth more alive than dead will stay alive. The ones that can shift with the times will live and be healthy. But they must make some changes.

Multinationals are now deciding they want only to be in countries where they have some leverage, where the environment is good. They are settling into places where the people there really want them.

Also, the extractive industries seem to me to be deciding they don't want to own much abroad. They want to tell the foreign governments: "You have something down there in the ground, and we will get it out. We will get 20 cents a ton. We don't want to own your land or your barges or have any control here except to get metals, or oil, or what have you, out of the ground. You pay us for that."

One thing bothering me is the hostility to multinational corporations in the poor countries. If the companies aren't careful, the only places where they will be doing business happily will be in the big communist countries.

I wouldn't be surprised if that were not a communist objective.

Why is it that some American companies that speak out against Washington controls are the first to run to Washington for help?

Yes sir, they do that. One reason is that American businessmen too often are given to thinking about their own immediate interests and not the larger interests of our social system.

Those of us who work in the public sphere are aware that there isn't much help to get from government. So you don't go running to government for help.

One final question: Who are the greatest enemies of our system?

The people within our system who don't understand it well enough to believe in it. It is the failure of nerve in our society that will do us in—if we are to be done in—and not the hostility from others.

Pearl Bailey, who has served as a member of our delegation to the UN, has said something so beautifully. She has been all over the world singing and entertaining. She said she has seen many places where she would like to be for a time, but no place other than the United States where she would want to live.

And people know that over on the other side.

There are those who don't believe in it on this side, and that is part of the disease of capitalism. END

New Trends That Will Affect Your Profits

AN INTERVIEW WITH WALTER E. HOADLEY

Business planning must take into account basic changes in American life, says a noted economist. Here is a discussion of these changes and a forecast for the year ahead

BUSINESSMEN more and more are relying on economic forecasters to help them plan for the future. They want economists to pinpoint trends in markets here and abroad for them, helping them to decide where to concentrate sales efforts and what sort of inventories to build up.

The validity of much business forecasting has lately come into question. Are business managers, for large and small enterprises alike, getting the kind of information they need to guide their decisions?

One respected economist says the answer is no, and he has some suggestions about what needs to be done. He is Walter E. Hoadley, chief economist and an executive vice president at Bank of America National Trust & Savings Association, San Francisco.

Mr. Hoadley believes businessmen need a far wider range of information than they have been getting. NATION'S BUSINESS asked Mr. Hoadley to discuss his views in the question-and-answer interchange that follows.

Mr. Hoadley, are businessmen getting the sort of information they need to make today's tough management decisions?

I'm afraid not, in many cases. There's no lack of figures and statistics, but very often the numbers aren't presented and analyzed in human terms and don't take into account important changes that are going on in American life.

What do you mean by that?

Simply that business is operating in a climate of greater uncertainty and change than at any time in history. Old ideas and theories are disappearing. In business planning, it's not enough just to try to get a handle on economic developments. The businessman has to be aware of political, social, and technological realities that affect management. He has to understand how people react as consumers, jobholders, voters—not merely as statistical dots on a chart.

What disturbs me is that some nonprofessionals—people who are frankly amateurs in economics, or business executives who just use seat-of-the-pants judgment—often come closer to forecasting the future than do most of us who are full-fledged economists. I don't think these amateurs are just lucky. They've sensed some of the basic changes that I've mentioned and are relating them to their own lines of business.

As a professional economist, are you saying that you and your colleagues are suffering from a credibility gap?

Exactly. You need only look at the business forecasts that were made a year or so ago to realize that we failed to predict the recession from which we're emerging, and we failed to judge its impact in terms of factory output, employment, prices, and other key measurements. [See "Guest Economist: How Company Forecasting Can Improve," NATION'S BUSINESS, January, 1976.]

For example, in the autumn of 1974, a survey of members of the National Association of Business Economists yielded a prediction that the gross national product would rise by 1.7 percent in real terms—that means after allowance for price increases—between second-quarter 1974 and second-quarter 1975. Actually, the GNP over that span declined 5.3 percent. The same survey showed economists foreseeing a rise in unemployment to an average of six percent of the labor force by the middle of 1975. Joblessness actually climbed to an average

PHOTO: JON BRENNEIS

of nearly nine percent. So professional analysts really failed to call the severe 1974-75 recession.

The main objective of business economists should be to minimize surprise and help the boss make profitable decisions. Lately, we haven't been doing too well—and for that matter, economists for government haven't been any closer to the mark.

What needs to be done differently?

For one thing, it's clear to me that businessmen no longer want to be handed routine statements about the outlook. They're far more interested in the why than the what of economic pronouncements—the reasons for reaching certain conclusions.

Second, people who try to analyze what's ahead for business must give more attention to developments that can't be readily measured by conventional economic approaches. Perhaps that accounts for the attention being given leading poll-takers and market-research experts who try to find out what people are thinking and how those views affect their actions as consumers.

Third, I think we have to pay less attention to what we call macro-economics—studying the broad picture—and concentrate more on micro-economics, the small, pervasive day-to-day happenings at the household level that can be vital in determining the future of many businesses.

Finally, businessmen these days want some assessment of the odds that a particular forecast will work out. They want to know whether the chances are 30-70, or 50-50, or 80-20. At the same time, economists have an obligation to point out that there's no such thing as a 100 percent sure forecast. They must come up with alternative prospects. If scenario A doesn't develop, what does scenario B look like?

You've referred to basic changes in American life that affect economic judgments. What do you have in mind?

Let me list a few of them:

1. For two generations, this country has accepted vigorous growth and full employment as worthy goals. That has now changed. Slower growth and higher quality of life have come to the popular forefront as principal national objectives.

2. Inflation has bounded up to become the top concern of the U.S. public. It wasn't too long ago that most people could neither define inflation nor take it seriously as a danger to personal or corporate life. Everywhere you go these days, you find people talking about the high cost of living—about ways to stretch their income and make their dollars go farther.

3. The steadily expanding role of government in people's lives has begun to dissipate the enthusiasm for risk-taking both by business managers and by investors. Psychology has come to rival economics as the root cause of action or inaction.

4. Confidence in institutions of all kinds—as well as in leadership—has dropped precipitously. For example, recent polls show that only 15 percent of consumers express overall confidence in the executive and legislative branches of government. My poll information puts business above government by a slight margin—near the bottom in public approval of major institutions.

This makes a strong consensus almost impossible, because so much of the public has become disenchanted with institutions that once commanded widespread respect and support.

5. Availability of money has become far more important to many individuals and governments than the cost of money—though the cost, in terms of interest rates, is still, of course, important. As the situation in New York City has demonstrated, public officials no longer can assume that debt obligations to cover deficits will sell automatically to investors.

6. Political and economic developments abroad are having an impact on American life that can't be ignored. Many of the less-developed countries with supplies of raw materials that the world needs are finding it possible to exercise a great degree of economic power. We have only to look at the influence of the OPEC nations on world energy policies to realize what is happening.

7. People in most walks of life now have far different reactions both in substance and in timing to public and private policies and actions than in earlier years. This confounds policy-making and forecasting.

What is your own forecast for business as we move along in 1976?

I think we are going to see a very gradual, rolling recovery—not a sharp, steep expansion.

Economic health will be restored slowly. It isn't going to be a traditional recovery; primary strength won't be in housing, autos, or spending for plant and equipment. Instead, it will be in inventory investment, general consumer spending, agriculture, services, and government spending.

Our studies at Bank of America show that the fundamental economic strength this year will come from 50

percent of American families, who have come through the recession without being hurt.

Another 20 percent of families haven't suffered any loss of income the past year or two, but they have been so surprised and frightened by recession that they still are not spending normally. Instead, they are choosing to save more and to reduce debt. These solid-but-scared families are the real challenge to marketers in months ahead. They've got to be convinced that they are being offered real value, before they'll move into the market and start buying.

What about the remaining 30 percent of families—what does your analysis show about them?

They're the ones who have been seriously, traumatically hurt by the business slump. They have experienced various degrees of loss of income, loss of jobs, cuts in assets, increase in debt. I think it will be well into 1977 before these families resume a positive role in the economy.

What advice do you have for businessmen trying to plan ahead at this particular time?

I think 1976 looms as a year in which managements should concentrate on specific, promising markets. It might even be helpful to pay less attention than formerly to what's happening in the economy as a whole, because we're going to work ourselves out of recession step by step. So what happens to an individual business, as well as to individual men and women, will depend heavily upon what each does, not on what some external public or private force does.

For businesses, the need in coming months may well be for more market research and less conventional economic analysis. I've labeled 1976 the "marketers' year." There will be lots of business opportunity, but largely for those who know how to find it and capitalize on it.

As you size up business prospects for months ahead, how do you apply some of the new forecasting rules you mentioned earlier?

Well, let's take the so-called standard forecast for 1976. It foresees a rise in the country's real output—the gross national product—of five to six percent. The inflation rate is predicted to be in a range of seven to eight percent. This consensus view suggests fairly orderly improvement as the year goes along. But can we be sure? Let's measure it against some tests that take account not only of sound economics, but also of social, political, psychological, and technological forces—the benchmarks most economists have tended to overlook.

First, is the standard forecast economically sound? On the surface, it looks reasonable. Recovery already is under way, no general shortages are in prospect, demand is cautious, short-term money is in ample supply.

But weighed against these factors is the point I made earlier, that fully half of all U. S. families have been touched to a considerable degree by recession. They have psychological scars that may prevent them from behaving as the figures suggest they ought to behave. Thirty percent have been seriously hurt and another 20 percent surprised and frightened. So it's going to take a long time for these people to regain confidence. How soon they come back strongly into the market for autos, appliances, and all sorts of other products is something bare statistics can't measure.

What about political pressures on the economy this year?

We certainly have to measure the business outlook against those pressures. It's an election year. Politicians will be very active in economic and related affairs. My own view is that an economy operating only at the standard-forecast level will be barely strong enough to support Mr. Ford's bid for election. In fact, the consensus outlook is better than what his potential opponents are now forecasting. They expect to use a weak recovery to defeat him.

A current appraisal by many specialists suggests that, for the President to be elected, he may need something like a real gain in GNP of seven or more percent, the prospect of inflation no worse than seven percent and falling, unemployment down to seven percent and falling, an atmosphere of reduced global tension, worldwide recovery, and rising confidence of the public and business.

All this points to more than customary election-year rhetoric. Weaknesses will make the headlines more than news of recovery. Expectations are widespread that we'll see a rise in the budget deficit and that we'll also see money growth two to five percent higher than present official projections.

You say that's a widespread view. How does it tally against your own expectations?

My personal judgment is that the Ford administration will hang rather tight with its fiscal and monetary restraint, at least until after the election. There will be some slippage—but less than the skeptics expect. Also, in my view, Mr. Ford's opposition won't be as interested as many now predict in promoting new, highly stimulative programs. The results in many local elections last November, when voters turned down bond issues and new spending proposals, pinpoint the trend.

Does the standard forecast make allowance for those psychological changes you see occurring in our society?

I think it makes too little allowance for the depth and scope of what I'd describe as a real crisis of confidence. Basic questions remain about the sustained strength of demand for the year ahead. What makes the outlook so potentially explosive is that half of all U. S. families—and an even higher percentage of business managements—state their feelings about 1976 in terms of "uncertain" rather than "optimistic-favorable" or "pessimistic-unfavorable." I can't recall ever having seen such a guessy, wait-and-see attitude in the past. It must mean innumerable defensive decisions to put off spending, investment, and hiring.

Moreover, I think we have to expect a great deal of consumer "stop-go" as people react to inflationary developments. The inflation rate will have to move down and stay down for several years, I'd guess, before we can count on consumers behaving as they did in the past. Similarly, business stop-go will be in the cards as managements react sharply to earn-

ings developments and other news. Businessmen will tend to keep looking for more stability in their markets before making decisions.

Now, I'm equally certain that a day lies ahead—I only wish I knew it precisely—when the groundswell of positive developments will reach tidal proportions and new confidence will abound. Then a surge of new buying and investment will occur. People who had been hesitant to act earlier will find themselves in the midst of a stampede of those seeking to fulfill long-accumulated needs all at once.

You list social trends as an important element in forecasting the future. How does the 1976 business outlook shape up in that respect?

As the year develops, we can look for continued social pressures to protect the consumer. Make no mistake about it, consumerism is here to stay. Whatever our own views to the contrary, the public apparently feels strongly that government prodding is necessary to get most businesses to act wholeheartedly in the interest of consumers and the public.

I'm convinced that social questions of our times are the natural outgrowth of rising expectations, higher levels of education, and the inevitable challenge to leadership that has been entrenched in many institutions for some time. At the same time, there are signs that the advocates of conservation and environmental protection are beginning to balance their demands with other worthwhile goals. The cost trade-off is being taken into account more and more. So, while the year ahead will continue to witness major social change, I think it will be less at the expense of economic recovery than might have been expected, say, six to 12 months ago.

What role will technological changes play in determining economic progress this year?

Usually, technological factors are more important in limiting expansion as the economy approaches full employment than during the early phases of recovery. But now, the worldwide energy problem has complicated technological planning, development, and investment. And this will retard long-term growth. However, prospects should not be materially affected for a five to six percent real growth rate in the U.S. this year.

"Our studies show that the fundamental economic strength this year will come from 50 percent of American families."

How do you sum up all of this in terms of what the typical businessman will need in the way of information to guide his strategy in 1976?

I hope I've made clear my strong opinion that business needs not only input from the statisticians and economists, but also from experts from other disciplines.

Confidence and other related noneconomic forces will be as important as conventional economic developments in shaping the economy this year. The great preoccupation of leaders and the public with uncertainty will tend to dampen the recovery's potential vigor, thwart government attempts to stimulate business, and prolong doubts even when real improvements do occur. Reactions to negative developments will remain highly volatile, and reactions to what previously was judged good news will be subdued.

Where can the small businessman who can't afford a full-time economist go to get information that will help in his planning?

He can, of course, get a good deal of useful data from many public and private sources. Government agencies such as the Commerce Department, the Bureau of the Census, and so on, as well as trade associations and professional organizations issue many reports which are noted in the business and financial media. He should be able to draw on the information-gathering resources of the banks with which he does business.

I would also suggest he give as much attention as he can to reading about broader developments—in politics, social trends, foreign affairs—and try to relate them to the future of his own business.

Above all, he or she should continually exchange views with people who can influence the business's results.

Let's never forget, the success of any business depends upon—first—a reasonably accurate understanding of the changing external environment, over which there can be little management control; and—second—an up-to-date plan of action, which incorporates the best thinking possible on future internal policies and programs over which management has control. END

The Mounting Demand for Managers

The executive job market is picking up, but companies— and the managers they're after— are harder to please

DEMAND FOR EXECUTIVES is rising after a recession-spawned slowdown.

Certain types of executive talent are in short supply. New managers are wanted for board rooms, executive suites, and posts overseas.

The price this talent commands is rising, too.

So say executive recruiters, who are the first to know when the executive job market picks up—or dries up.

Premium on maturity

Their corporate clients, they add, are harder to please these days. More and more, companies are insisting on mature managers who have already met high standards of performance.

"The young hotshot," one recruiter says, "is not quite as glamorous as he was two or three years ago."

Finding managers who match clients' exacting specifications takes more time. Once found and offered the jobs, many are reluctant to pull up their roots and switch.

Take Billy Barnes—not his real name—who was working in the warm, sunny Southwest. He was being eagerly sought by an electronic products manufacturer in upstate New York.

"Barnes was a fine executive," says Stephen K. Stewart, president, S.K. Stewart & Associates, who found him for the New York firm.

"Here's what the company wanted: First, an executive skilled in corporate planning. Second, a background in electrical engineering. Third, someone who had successfully run an electronics plant, preferably making minicomputers.

"Barnes fit those specs to a T.

"But he had a wife and three kids. They all liked the Southwest, the town they lived in, and its schools. He and his family were very reluctant to leave."

Mr. Barnes and his wife did accept an invitation to visit his would-be employer's plant and look over the town where it is located.

"It was terrible timing," says Mr. Stewart, "late winter."

When the sun-tanned Barneses got off the plane and looked at the snow-covered airport, both were tempted to turn around and grab the next flight home.

But they stayed. They visited the plant and town, and they liked what they saw. Now, Billy Barnes is part of the New York firm's top management. He's paid $45,000 a year and has a crack at a bonus of $13,000. That's $16,000 more than he could have made in his previous position.

"He wasn't hurting for money before," Mr. Stewart says. "What sold him was the mood of the company. It's growth-oriented. He has the opportunity to take charge of part of it and make it grow.

"Before, he was a fast guy on a slow horse. Now, he has switched to a faster mount."

More cautious

"It takes longer now to find the right guy and convince him he ought to make a move," says James Arnold, vice president, executive recruiting, A. T. Kearney, Inc.

"When business is flat, executives are more cautious and less likely to jump at a new opportunity."

Alexander Black, partner, Consult-

ing Partners, Inc., also finds executives are looking hard before they'll leap.

"A man who feels secure in a good situation today is hesitant to leave it—even for a better one," he says. "That wasn't true a few years ago."

Age is a factor

But caution is not the only factor, says George P. Craighead, executive vice president, William H. Clark Associates, Inc. Age is another.

"The executive today who's not at the top, but close to it, is in his 40's. He has a much different idea of what he wants to do with his life than a man 20 years his senior.

"The two generations often tend to have different values.

"To the younger man, the job definitely isn't the hub of his universe. If he and his family are happy about where he works, what he does, and where they live, he's hard to budge."

But there's a decided increase in efforts to budge good executives.

"It looks like this year will be our firm's best since we started in business six years ago," says recruiter Clarence E. McFeely, partner, McFeely, Wackerle Associates.

"The first six months of 1975 were about the same as the first six months of 1974. But the uptrend after Labor Day was very noticeable."

"There's a pent-up demand now," says Edwin S. Mruk, partner in charge of organization personnel consulting, Arthur Young & Co.

"Companies held off hiring during the recession and cut back on executive development programs. In addition, more and more executives are needed to cope with the ever-growing government regulations."

New job markets

"Some large corporations that never went outside for executive talent are doing so now," says Mathew J. Beecher, national coordinator of executive recruiting, Price Waterhouse & Co.

"The same is true of certain industries—for example, banking and utilities. Traditionally, both filled executive vacancies only from within."

"Up until two years ago," says another recruiter, "I can't remember a utility ever asking us to find an executive. Now, we get appeals frequently."

Explanation?

"The utilities are suffering severe problems," he says, "because of the energy crunch. And banks are facing tough problems because of a profit pinch. Normally, in that case, you start looking around for help."

Service industries, too, are in the market for executive talent.

"For example," says Mr. Stewart, "health care, data processing and computer service, and—to some extent—life insurance."

Many companies "are scrambling for good pension planners and administrators," says one recruiter.

The pension field, he adds, "is a comer. Once, the man who ran the company's pension program was down in the engine room. But no longer. Now, his job has a lot of responsibility and status.

"It should have status. The new federal regulations make pensions a minefield for the unwary."

Finding the right executive may take a long, long time.

Ask the Massachusetts Bankers Association. It began looking for a head man early in 1974.

Many candidates

Wilson Brunel, president of the Third National Bank of Hampden County, headed the selection committee. After some months of searching, he asked Devine, Baldwin & Associates, Inc., to help.

"It took my principal partner, Mike Baldwin, and me about four months," says J. E. Devine, president of the recruiting firm.

"We checked out maybe 100 possible candidates. Then we narrowed the list down to about six or eight. The committee whittled it to two or three. Finally, Paul J. Foley was their unanimous choice."

Mr. Foley, a 48-year-old ex-insurance executive, had the varied skills the post required.

"One of them," says Mr. Brunel,

FUNCTIONS FOR WHICH EXECUTIVES ARE MOST SOUGHT

In the last six months of 1975, according to a survey by the Association of Executive Recruiting Consultants, Inc., the most sought-after types of executives were (ranked in order):

1. General management.
2. Marketing and sales.
3. Accounting and finance.
4. Staff functions, such as personnel, public relations, legal.
5. General engineering, science, and research.
7. Electronic data processing.
8. Government and education.

The association made the survey among its member firms for *Nation's Business*. The study also shows:

• Demand for marketing and sales, and for accounting and finance executives, trailed that for the general management group by only a small margin.

• Almost 65 percent of all requests made by corporate clients for new executives fell in these three groups.

• More than six out of ten positions to be filled had salary levels of $35,000 a year or more.

• Nearly three out of ten of the positions pay $50,000 a year or more.

In the last six months of 1974, accounting and financial executives were most in demand. Second came general management, followed by marketing and sales.

"is the ability to get along with 140 bosses. That's how many you have in an association with 140 members."

Heading the list

"Strong general managers are in the catbird seat," says John Schlueter, executive director, Association of Executive Recruiting Consultants, Inc.

"The business climate has changed. Top priority last year were cost-cutters. This year, it's business-getters and profit-makers. Companies have more confidence in the economy.

"They're looking for managers who can take charge, boost sales, improve market share, and take full advantage of new business opportunities."

"Money men are the fair-haired boys," says C. Robert Martin, senior vice president, Spencer Stuart & Associates.

"Our clients are putting up dollars and lots of involvement—board members included—in selecting the chief financial executive and his team.

"The only people who get you real productivity are the chief executive officer and the financial guy. The financial man pinpoints where things aren't going right, monitors investment and spending, and makes sure that everything comes out right on the bottom line.

"He's paid to be tough—to ring the bell on people when they get out of line."

"What companies are willing to pay for quality talent has zoomed," says Richard Knapp, partner and director, Ward Howell Associates, Inc.

"Five years ago, search requests for $100,000-a-year positions were unusual. Now, they're not."

"Companies won't settle for anything but the best," says Paul R. Ray, president, Paul R. Ray & Co., Inc. "Especially, in senior management, where they're paid to think and are measured by results. Companies don't want marginal executives."

The market abroad

"There's lots of action overseas," says Carl W. Menk, president, Boyden Associates, Inc.

"We note a heightened interest, not only in American executives, but in foreign nationals who have had

good, sound U.S. business experience.

"In other words, a Frenchman, German, or Saudi Arabian who has worked as an executive in the United States—and understands how Americans get things done.

"Of course, how many foreign executives are like that? So the overseas demand is largely an opportunity for American executives."

"We see lots of demand from the Middle East," says Russell S. Reynolds, Jr., chairman, Russell Reynolds Associates, Inc. "In fact, we get requests from companies in countries I once never knew were even on the map."

Why the big market for U. S. talent overseas?

One executive recruiter puts it like this: "The state of the art of management is further advanced here than anywhere else in the world."

Business from boards

"Because of pressures for a broader base of representation on boards, companies will undoubtedly be seeking new talent for directorships," says Donald C. Williams, senior vice president, Heidrick and Struggles, Inc.

Another executive recruiter says that "there's a very perceptible trend to go to search firms to find outside directors. That way, the search can be made with greater secrecy—and fewer bruised feelings for candidates who are passed over."

"Broader representation" includes women and minority members, recruiters report.

However, ability comes first for the various managerial positions the recruiters are asked to fill.

"We find far more acceptance of women and minority executives," says Richard C. Dolan, executive vice president, Witt & Dolan Associates, Inc. "But we don't get flat requests for them. If you turn them up in a search, they're very welcome. However, clients look first at track records."

One reason is that search firms don't fill entry-level jobs. They help companies by finding seasoned executives for middle or senior management posts.

Last year, for example, financially troubled Singer Co. felt in dire need of a new leader. At the company's request, George H. Haley, president, Haley Associates, Inc., found Joseph B. Flavin for Singer at Xerox Corp.

Mr. Flavin had been executive vice president at Xerox—the company's third-ranking executive. Now, he is president, chief executive officer, and chairman of Singer. In other words, number one.

Calling the turn

In late fall, 1974, NATION'S BUSINESS polled recruiting firms on the job outlook for executives. They were not bullish.

"It appears from our statistics," the Association of Executive Recruiting Consultants said then, "that overall demand is off about 15 or 20 per cent from its 1974 peak."

At the time, recession was not on most forecasters' horizon. The slogan of the day was WIN—Whip Inflation Now.

Then came the deluge.

One major recruiting firm offers a caveat now to counter any over-rosy expectations for the near future.

"We are experiencing a fantastically strong upsurge in the executive job market," says Alexander K. Reddin, president, Billington, Fox & Ellis International.

He adds, however: "I personally believe that the economy is off to a false start and that confidence in its immediate future is misplaced. I think business will pull in its horns somewhere around the middle of the year.

"But after a pause, I believe, the trend will be upward." END

A Plan to Help Small Business Solve Its Problems

BY SEN. JOHN TOWER

A comprehensive study is to be made of small firms' special needs. A Texas senator tells why he urged the study

PHOTO: DENNIS BRACK—BLACK STAR

HARDLY a day goes by that the Congressional Record does not include comments by some member of Congress reiterating the importance of a healthy small business community to the vitality of the nation.

Emphasis is invariably provided by statistics showing that 97 percent of the nation's businesses are small and that these are responsible for more than half of all private employment and about a third of the gross national product.

Yet there has been no really comprehensive study of the problems peculiar to the small business community since the coordinated research that was so influential in the passage of the Small Business Act.

That effort was undertaken more than 22 years ago. It is essential that we assess the progress of the small business community since then and identify obstructions to its further development.

I am concerned that small business may not be able to continue its in-

dispensable role in the private enterprise system in the future because we are unnecessarily hindering and frustrating its efforts at the very time we need them most.

Small business is being unnecessarily frustrated and hindered, I believe, because of increasing government regulation and paperwork, a needlessly heavy tax burden, and federal subsidy programs that are capable of helping only a very limited segment of the small business community.

What is really needed is less government involvement and more reliance on free market forces.

The door is still open

At the same time, however, I believe the outlook for small business in this country continues to be very bright. The fact that the overwhelming majority of American businesses are small indicates that the door is still wide open for those who believe untried ideas can be tested successfully in the marketplace.

Small firms have the flexibility to adapt more easily to changing economic conditions and to meet new and emerging needs of the public quickly. Small firms also tend to be very innovative.

Finally, they are extremely well-suited to compete in the service sector, a growing part of our economy. With proper management, small businesses will be able to thrive in this country if a proper environment is created.

Rise in bankruptcies

Everyone recognizes the tremendous contribution of small business to the American economy. Small business holds out a bright prospect for increasing competition, moderating inflationary pressures, opening employment opportunities for millions, and stimulating sorely needed advances in productivity. A strong and dynamic small business sector provides a dimension to the economy that cannot come from any other source.

Statistics, however, show a steady rise in bankruptcies and a decline in new incorporations in the past few years. Small businessmen often say they are not thinking in terms of growth in the present economy, but in terms of survival.

Although small firms have pluses that go hand in hand with their size, their size is in many ways a minus.

It is more difficult for a small businessman to pass on price increases to customers he knows personally. It is more difficult for him to line up stable sources of supply when the economy is erratic. Increased minimum wages hit him hardest, as do occupational safety rules, environmental restrictions, and product safety regulations.

> "I am concerned that small business may not be able to continue its indispensable role in the private enterprise system in the future because we are unnecessarily hindering and frustrating its efforts at the very time we need them most."

The small businessman has difficulty raising seed money. When a bank lends to a large corporation, it looks at the company's balance sheet, assets, and liabilities. For a small business, evidence of a steady cash flow is often insufficient, and a bank will seek additional security—company property or even an owner's personal assets.

Difficulties of the small businessman range from tax inequities to how frequently the Occupational Safety and Health Administration requires him to wash the cuspidor on his premises.

Subsidies—or basic change

It seems to me that federal government efforts to help small businesses at this point can take one of two routes.

One would be to continue providing subsidies to businesses which are eligible for federal subsidy programs. The drawback to this approach is that resources are limited and only a fraction of the small business community can really be helped this way.

This is not to say, of course, that there have not been success stories resulting from our present system of subsidizing small business. All of us are aware of enterprises which received aid through one of the existing programs and, as a result, became dynamic and successful. But the benefits are not shared by millions of small firms that could compete more effectively if a proper environment were established. It is interesting to note that surveys show a significant portion of the small business community is not even aware of existing Small Business Administration programs.

The other approach would be to create a climate in which small businesses have greater opportunity to flourish. Such an approach should include a reduction in the tax burden on small businesses and an increased use of tax incentives for expanding investment in both fixed and human capital. All small businesses should be treated alike, with benefits available to all on the same basis.

In the national spotlight

Faced with the choice of these two approaches, I think it would be useful at this time to focus the nation's attention on small business.

Almost every department and agency in the government makes some attempt to deal with the small businessman's special problems. Committee after committee in Con-

A Plan to Help Small Business Solve Its Problems

continued

gress has held hearings on subjects that affect him—subjects ranging from fixed-price government contracts to the shortage in home canning equipment.

This widespread concern is commendable. At the same time the lack of coordination and the diffusion of attention is not.

The approach has been not unlike a quilting bee, with each seamstress independently working her own pattern. If they ever get together, there is no telling what the end product will look like, or whether it will fit together well enough to keep anybody warm.

Legislative recommendations

To obtain a needed reassessment, Sens. James Buckley, Pete Domenici, E. J. Garn, Clifford Hansen, Hugh Scott, and Strom Thurmond joined with me in introducing a bill entitled, the National Commission on Small Business in America Act.

In December, both the Senate and the House passed bills amending the Small Business Act that contain authorization for such a commission.

The commission is to undertake a comprehensive study and come up with substantive legislative recommendations to the President and Congress concerning the economic environment of small business. The commission is to be a temporary body, expiring no later than two years after the President signs the bill.

Commission members are to be appointed by the President. There are to be 11 of them—four affiliated with or representing the interests of small businesses; three affiliated with or representing institutions involved in financing small businesses; three who have expertise in tax, regulatory, legal, economic, or financial matters, at least one of whom is a member of the academic community; and one from the public at large who would be the commission's chairman.

The good and the bad

In addition, the administrator of the Small Business Administration and the director of the Office of Minority Business Enterprise are to be advisory members of the commission.

The purpose of the commission will be to analyze the contribution small business has made to the American economy and to make recommendations aimed at perpetuating and even improving that contribution. The commission is to examine the federal subsidy and assistance programs, the effects of federal regulation, the tax structure as it relates to small business, and financial institutions' ability to meet small business credit needs.

In the process, the commission is to consider the advisability of establishing universal criteria for defining a small business.

The National Commission on Small Business in America is simply to examine all the influences, both good and bad, which affect small business today. And it will determine a coherent direction for small business in the future, without detracting from or postponing ongoing activities in Congress and the regulatory agencies.

It seems only appropriate that we should give close and sympathetic attention to a sector of the economy which has contributed so much to the high standard of living in America.

END

> "Small business holds out a bright prospect for increasing competition, moderating inflationary pressures, opening employment opportunities for millions, and stimulating sorely needed advances in productivity."

Restructuring a Company for Greater Earnings

Under Robert Reneker, sales and profits have soared at Esmark, Inc. The Reneker formula: Carve the company into bite-size segments run by nearly autonomous managers and concentrate on growth

On April 30, 1973, readers around the country phoned their newspapers to complain about the absence of the familiar Swift & Co. listing from that day's stock market tables.

Despite mailings, newspaper stories, proxy material, and a special stockholders' meeting, not everyone had gotten the message that the company's board of directors considered the name Swift, with its meat-packing image, no longer appropriate to the firm's broad range of activity.

Wide diversification

More than 1,000 new names had been suggested. The directors settled on Esmark, Inc. The "Es," says the company, perpetuates phonetically the Swift "S," while the "mark" has a "strong connotation of worth, ownership, and excellence."

The change meant the trading symbol SWX, which stood for Swift, had disappeared from the New York Stock Exchange after 38 years and from the Midwest Stock Exchange after 62 years. In its place appeared a new symbol, ESM, standing for Esmark.

But far more than nomenclature was involved. April 30, 1973, also marked the virtual completion of a vast company plan of reorganization and diversification. Chemicals, energy, and varied financial services, as well as food, were now under the corporate umbrella.

The man responsible for all this is the son of a onetime hog buyer for Swift. He is Robert W. Reneker, 63, who started as an $18-a-week purchasing assistant with the Chicago-based company and is now its chairman and chief executive officer.

Bob Reneker took over as president of Swift in 1964 and moved up to chief executive officer in 1967, a period when many financial analysts thought the firm was doing little more than resting on its laurels as the world's largest meat-packer.

Mr. Reneker found himself running a company that was difficult to manage. He recalls:

"When I took over this job, there were 17 vice presidents reporting to me directly. I was involved in everything, because there was no one else with authority to make hard decisions."

Profits soar

In the reorganization of Swift that led to the creation of Esmark, the company was, in Mr. Reneker's words, "carved up into 1,000 bite-sized bits." Each, he says, was a profit center with considerable operating authority. Now, only Esmark's president and a handful of other executives report directly to Robert Reneker on a regular basis.

As part of the massive restructur-

ing of the company, the corporate ax fell heavily, lopping off unprofitable operations and trimming the work force. But in the process, company earnings soared from a minus level in 1968 and $25.6 million in 1969 to $79.7 million last year. Sales rose from $2.9 billion in 1969 to $4.7 billion in 1975.

Mr. Reneker has set several goals for himself and for Esmark. One is to boost sales to more than $5 billion a year and earnings to more than $5.60 a share—as adjusted to reflect a recent 25 percent stock dividend—by 1978. Per share earnings jumped from an adjusted $1.54 in 1969 to $5.05 last year.

> "We created divisional companies within the corporation. Profit centers, in other words."

Esmark's philosophy has remained constant: to allocate corporate funds to growth businesses operated practically autonomously by capable professional managers.

In a few years' time, Esmark has become the 27th largest industrial corporation in America.

Thriving on hard work

Like so many successful executives, Robert Reneker thrives on hard work. He also devotes many hours to community work and public affairs. He is past president of the Boy Scouts of America, for example, and a trustee of the University of Chicago, his alma mater.

Mr. Reneker and his wife, Betty, have two sons. One is a social worker in Indiana, and the other is research director of an investment mortgage banking firm in Colorado.

Here, in an interview in his Chicago office with a NATION'S BUSINESS editor, Mr. Reneker tells how he restructured his corporation and boosted sales and earnings.

You have spent virtually your entire business life in the meat business. Did you ever learn how to cut a beef?

No, I never had a knife in my hand. As a matter of fact, when I became president of Swift & Co., I was the first in its long history who hadn't been a meat man.

How did you come to work with Swift in the first place?

Right out of college during the Depression. While I was at the University of Chicago on a scholarship, I met Harold Swift, last living son of the founder of Swift & Co. He was chairman of the board of trustees of the university at the time, and he became interested in me because my dad was working for Swift.

What was your father's job?

A hog buyer.

Mr. Swift suggested I might seek employment with the company when I graduated. So, early in December, 1933, right before graduation, I went to the company headquarters in the middle of the Chicago stockyards and had an interview with the purchasing department.

I was offered a job as junior purchasing agent for the rather munificent sum of $20 a week.

On Jan. 2, I went back to the yards to go to work. Just as I was about to enter the big, old Swift office building, I saw some workmen pushing desks and furniture out the front door. I went in and found the company had just had another reduction in staff.

"I'm not long for this world," I said to myself. But the purchasing agent came up and told me: "Reneker, since we talked, we have had a ten percent cut in all of the payrolls, so you are going to start at $18 a week instead of $20." I got a cut in pay before getting on the payroll.

How long did you stay in purchasing?

When World War II came along, I moved over into technical products—things like glycerins, glues, and adhesives. I had 40 or 50 salesmen out selling these products. Then, in 1950, I moved into the president's office as an assistant. From that point on, I have never been away from general administrative work.

How did the massive reorganization of Swift that led to Esmark come about?

Well, when we finished 1967, it turned out to be Swift's best earnings year in ten years. I had just become chief executive officer. One of the first questions that came up was: Are we really using our people and our assets as well as we should?

We looked at every operation and tried to establish two points:

Regardless of profit, did the operation have a future? If not, was a recommitment of dollars justified to try to give it a future?

That analysis took most of the year. It led us to cut out some 300 operational units. We cut our work force from 55,000 to 34,000.

What was the result?

We were doing about $2.9 billion a year in sales. We are now doing a great deal better than that with some 20,000 fewer people.

Did this reorganization enjoy instant success?

Well, I reported a $42 million loss in fiscal 1968, my first full year as chief executive officer. The company couldn't stand too many years of that kind of success.

The loss was anticipated?

Yes.

What other changes did you make?

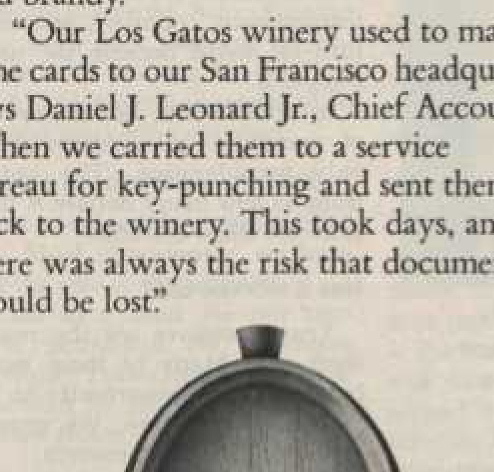
For a long time, Swift was a highly centralized organization. My predecessor, Porter Jarvis, had 17 vice presidents reporting to him. He was a man of great competence in a number of fields. It seemed to me, however, that all these vice presi-

风浪
FENGLANG
上海

Like Almaden Vineyards, San Francisco.

Almaden Vineyards, founded 123 years ago, is one of the largest wine producers in the world, operating four widely separated wineries. Its products include very fine estate-bottled and vintage wines and a broad line of quality red and white table wines, as well as champagnes, dessert wines, and brandy.

"Our Los Gatos winery used to mail time cards to our San Francisco headquarters," says Daniel J. Leonard Jr., Chief Accountant. "Then we carried them to a service bureau for key-punching and sent them back to the winery. This took days, and there was always the risk that documents would be lost."



Now, since Almaden installed the Xerox Interactive Accounting System (IAS), time cards stay at the winery. Not only payroll, but billing, accounts receivable/payable, inventory control, general ledger, and sales analysis are current and fully integrated.

"Communication between the order and shipping departments is now instantaneous," says Mr. Leonard. "All invoices are in the mail within 48 hours, and many actually go out with the shipment. Customer statements are mailed on the third working day."

"When you have a geographically dispersed operation, a remote-entry capability is extremely important."

Daniel J. Leonard Jr.,

Xerox IAS is a flexible, computer-based accounting and management-information system that was tailored to fit Almaden's special requirements. Almaden needs no data-processing specialists on its payroll and has no investment in hardware. The company pays only for actual work done by the computers at the Xerox data center.

"We age our wines with great care, as winemakers have done for hundreds of years," says Mr. Leonard, "and we rely on our winemaker's taste and palate to tell us when the wine is ready to bottle. But we like to combine the old winemaking ways with the most modern business methods."

Xerox IAS can be tailored to fit your needs with no investment on your part. We can demonstrate this unique system right in your offices. Call us at (213) 390-3461 or write Xerox Computer Services, 5310 Beethoven Street, Los Angeles, California 90066, attention Marketing Services.

XEROX

Robert Reneker, twice president of the Boy Scouts of America, greets Eagle Scout William Remes of Minneapolis at a Scouts' meeting there. Mr. Reneker says of his work with the Boy Scouts: "I feel that I am making an investment in the future."

Restructuring a Company for Greater Earnings *continued*

dents were counting on the top man to make decisions they should have been making.

We set about changing all that. We created divisional companies within the corporation. Profit centers, in other words. One day, with the stroke of a pen, a number of men who had been corporate vice presidents became divisional presidents.

What we were saying to these men was this: "No longer are you going to be worried just about sales or operations. We want you to be complete businessmen. Run this thing.

"We are going to give you comptrollers and financial accountability. We are also going to give you a certain amount of assets and then ask you to tell us how you will perform."

Did they all make the transition?

No. I remember one told me: "You know, Bob, we should have done this about 20 years ago. I commend you for what you are doing, but I don't want to start over at age 63 to be something different."

The board of directors was most generous. They gave me the opportunity to let men like that go into early retirement without financial penalty. This, in turn, made it possible to promote as well as to bring in new people who could run their own divisional companies.

How about those who stayed on?

Some stayed and did very well. Some tried, but failed. I'd hear comments like: "My whole interest has been in livestock buying," or "I've spent my life in operations." The whole philosophy of the industry had been to concentrate on buying, not marketing.

The industry had a phrase that told the story: "Well-bought is half-sold." Which suggested that the most important member of the team was the steer buyer, not the sales manager.

Any other changes?

Yes, we introduced a revised salary schedule with a very high level of incentive pay based on a return on assets. You see, most of us had always operated on the premise that there was no limit on the amount of money we could spend. If a Bob Reneker wanted to buy three carloads of cheese and sell it six months later at a penny a pound over what he paid, he could say: "Look, I made a profit."

No one thought of what it cost to make that profit or of the value of the money that was tied up.

The effective use of money wasn't being cranked into any of our business decisions. So we brought in this management incentive system. Return on assets became the name of the game.

In other words, how many dollars of earnings you generate isn't the only consideration. The important thing is how many dollars it takes to generate those earnings.

Has it worked out?

Yes, executives see the results in their pay. Many of these men had never had the opportunity to be entrepreneurial before. We gave them a chance to be businessmen.

Was it difficult to change the company's name from Swift to Esmark?

How do I—a fellow who started at $18 a week for a place called Swift & Co.—answer that?

Indeed it was.

But we did have to change the name, and I was a strong advocate of doing so. It was apparent that if we were going to continue our diversification, we couldn't continue to be identified worldwide as simply a food operation. So how much trauma is there in abandoning the name Swift as a parent name in an enterprise that has more than $3 billion in annual sales and that is continuing to grow?

How does Esmark go about acquiring other companies?

We look for good management. One of the things we don't pretend, and I hope we never will, is that good food men can be good petroleum men, or good insurance men, or whatever.

What we look for in an acquisition

is good management that lacks something we can supply.

For example?

Take our move into petroleum. Vickers Oil Co. was essentially a marketing group in the Middle West—Kansas, Missouri, and a part of Colorado. The company was operating about 400 service stations and had a refinery in Ardmore, Okla. What impressed us was the aggressive, eager, driving team of young men running the company.

They were weak on the supply side, where we could help. Beyond that, we were in a position to provide them with enough financial resources to widen what appeared to be a very good marketing approach.

How did the acquisition work out?

Vickers now has about 900 service stations. Most importantly, we have doubled the size of the refinery.

This led to a need for our own source of petroleum. So we began buying into TransOcean Oil, Inc. We now own 87 percent of this oil exploration group.

When you look at a possible acquisition, do you attempt to relate it to your existing business?

No. Otherwise, why would we have acquired International Playtex Co.?

I was going to ask how meat-packing could relate to brassieres and other undergarments.

Naturally, this has given rise to many packinghouse quips, most of them unquotable. But seriously, as we look at natural resources, business services, and the like, we want consumer products which do not react sharply to cyclical influences.

But good management is a No. 1 priority?

In the case of International Playtex, this is about as exciting a group of marketing men as I have ever had the privilege of meeting. These are men who have spent their lives in an environment of marketing. The average age of the whole team is just 41.

Since each division of Esmark runs itself, as it were, is Esmark more like a holding company?

That is the concept. One man is running a $1 billion-a-year business, another a $400 million-a-year business, and so on. At the top, we are the planners, the comptrollers, and in the last analysis, the overseers of development of quality personnel.

What do you consider good management?

Perhaps it's so obvious it hardly needs to be said. The most important ingredient of good management is the kind of people who can attract and develop and grow. If there's a second ingredient, it's attempting to identify for these people the kind of opportunities they can expect. In other words, an orderly process of planning goals and objectives.

What did you mean when you said that one way to manage a large, unwieldy corporation is to carve it into bite-size bits?

Essentially, to do what we have done—create profit centers and give each a lot of operating authority.

And that takes routine decision-making off the shoulders of top management?

Absolutely.

"...We introduced a revised salary schedule with a very high level of incentive pay based on return on assets."

Is food, the meat-packing end of the business, taking a back seat, now that you've gone into all these other fields?

Not at all. In 1974, for the first time in the company's history, the nonfood items did produce more profit than meat-packing. But I want to emphasize that this doesn't suggest a de-emphasis of food.

Actually, 1973 was the greatest earnings year that our food business has ever had. It has done almost as well in the two years since then.

What we have been attempting to do is expand the other elements disproportionately. But the men responsible for food will continue to work like the dickens to improve their position.

Under your pay incentive plan, all managers come up with their own projections of how they expect to perform. How do you guard against unrealistic objectives?

It starts with Bob Reneker. At the board meeting prior to the beginning of a fiscal year, we present for board approval what we see as our profit plan. Bob Reneker will get upwards of 50 to 75 percent of his salary as a bonus, depending on whether he is within 85 to 115 percent of his target that year.

The temptation might be there to set conservative goals that are easy to reach. However, there is a commitment of capital the board makes that translates down the line.

We have a rather structured program of advanced planning. We relate the commitment of our capital to the projected return on it. So the pay every man gets depends on the amount of assets we give him.

Tell me about the early warning system you employ.

Let me illustrate. The outlook for fertilizer is good today. But what about tomorrow?

We ask questions like these at the divisional level, so we can try to determine what the future holds.

I was just reading that Pillsbury is reporting an upturn in sales of five and ten-pound sacks of flour. The gals are beginning to go back to scratch baking. That's an example of

Here's How. Underlying a lot of the American people's resentment of American business and the free enterprise system is simple ignorance of the system.

So the Phillips Petroleum Company has produced, and will be continuing to produce, television commercials pointing out specific benefits of the system.

Every commercial is pretested, and must meet certain performance norms in positively influencing viewer attitudes toward free enterprise.

This commercial shows that an average American paperboy earns more than 50% of the people on earth.

Now, as a first step in a joint program, we're making our most recent commercial available to any company wanting to use it. Companies who contact us now will also be informed of subsequent commercials in the "Free Enterprise" series.

We will tag the commercials with your logo through our facilities. For each commercial the charge will be $160 for your first print, plus $12 for each additional print.

The $160 charge covers only our costs incurred in making optical transfers and for film lab costs in producing one air-quality print for you.

Selecting stations and paying for broadcast time are up to you, of course.

If you are interested, mail in the coupon. We urge you to do so.

American industry can no longer afford to harbor its own silent majority.

It's gone past the point where an isolated business has come under attack. The system itself is in danger.

And if we don't stand up for it, who will?

Phillips Petroleum Company, Advertising and Merchandising
326 Adams Bldg., Bartlesville, OK 74004

Please send me the brochure and ordering information on the "Free Enterprise" commercial program. I understand that this request puts me under no further obligation.

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PHILLIPS 66

The Performance Company

an early warning system for prepared foods.

We must constantly look at cyclical factors. We must decide, for example, if business conditions are a result of climate or crop failure, or simply of basic economic trends.

Despite inflation and the like, you paint an optimistic picture for Esmark? Why?

Because of the products we deal in—food, energy, agricultural chemicals. As we talk about a protein shortage in the world, about energy requirements, about crop yields, we see that these are no longer stable, dormant business sectors, but expanding areas.

In an organization as large as Esmark, how can you tell how much an individual is contributing?

Well, it has been our mission all along to make sure individuals don't get lost in this morass of people. When we are talking about the incentive plan, we are talking about something like 300 people. Each has his goals, and they are spelled out. Individual performances are established all down the line.

We can monitor these individual performances.

How do you make decisions?

The classic answer would be to develop as much knowledge as you can and then draw on it as required. But then, there are so many intangible factors that enter into a decision.

In the final analysis, it comes down to two words—good judgment.

Does instinct have a bearing?

I think most professional managers try to be less intuitive and more scientific, if that is not stretching the term scientific. In other words, the role of intuition is getting smaller all the time.

How do you develop a sense of loyalty in your people?

By giving them pride in what they are doing, and by recognizing their performance. We try to make them feel they are a part of whatever we are trying to achieve. We want our people to feel like the watchmaker instead of the assembly-line worker who puts the third nut on every fourth wheel.

What is the most useful executive skill that your years in business have taught you?

One thing that has been most helpful to me is being able to establish a climate where everyone can approach whatever he is doing in an atmosphere of frankness. In that way, we don't have to be concerned about criticism after we make a decision.

Is opportunity still present for young men and women entering the business world?

No question about it. If they seize the opportunities, they will succeed. I would only urge that they look for jobs that are satisfying. I'm not talking about how much money they can make, but how much fun they can have out of what they are doing.

What has been the most satisfying experience of your business life?

Well, it's really still occurring. That is, watching all the pieces come together.

How do you find so much time to devote to civic activity?

Well, it's my extracurricular fun. I have always felt we ought to put back into this world more than we take out of it. There are innumerable opportunities to do that. Fortunately, my wife has shared my view all the years of our marriage.

So this is also how you relax?

To an extent, yes. I do like to read, of course. But I suppose my favorite form of relaxation is puttering around a home we have in Michigan. Actually, I'm a lot like Walt Wriston [board chairman of Citicorp and First National City Bank] who told NATION'S BUSINESS in an interview he didn't have to get on the martini circuit, he could work in the garden instead. [See "Lessons of Leadership," NATION'S BUSINESS, April, 1975.]

"I have always felt we ought to put back into this world more than we take out of it. There are innumerable opportunities to do that."

Has the role of business manager changed over the years?

I think so. Today's businessman, whether he wants to or not, has to have a sensitivity to his environment. I'm not referring necessarily to ecology. I mean he has to be sensitive to his relationship to the community and to government. This sensitivity can affect the success of his business in many ways.

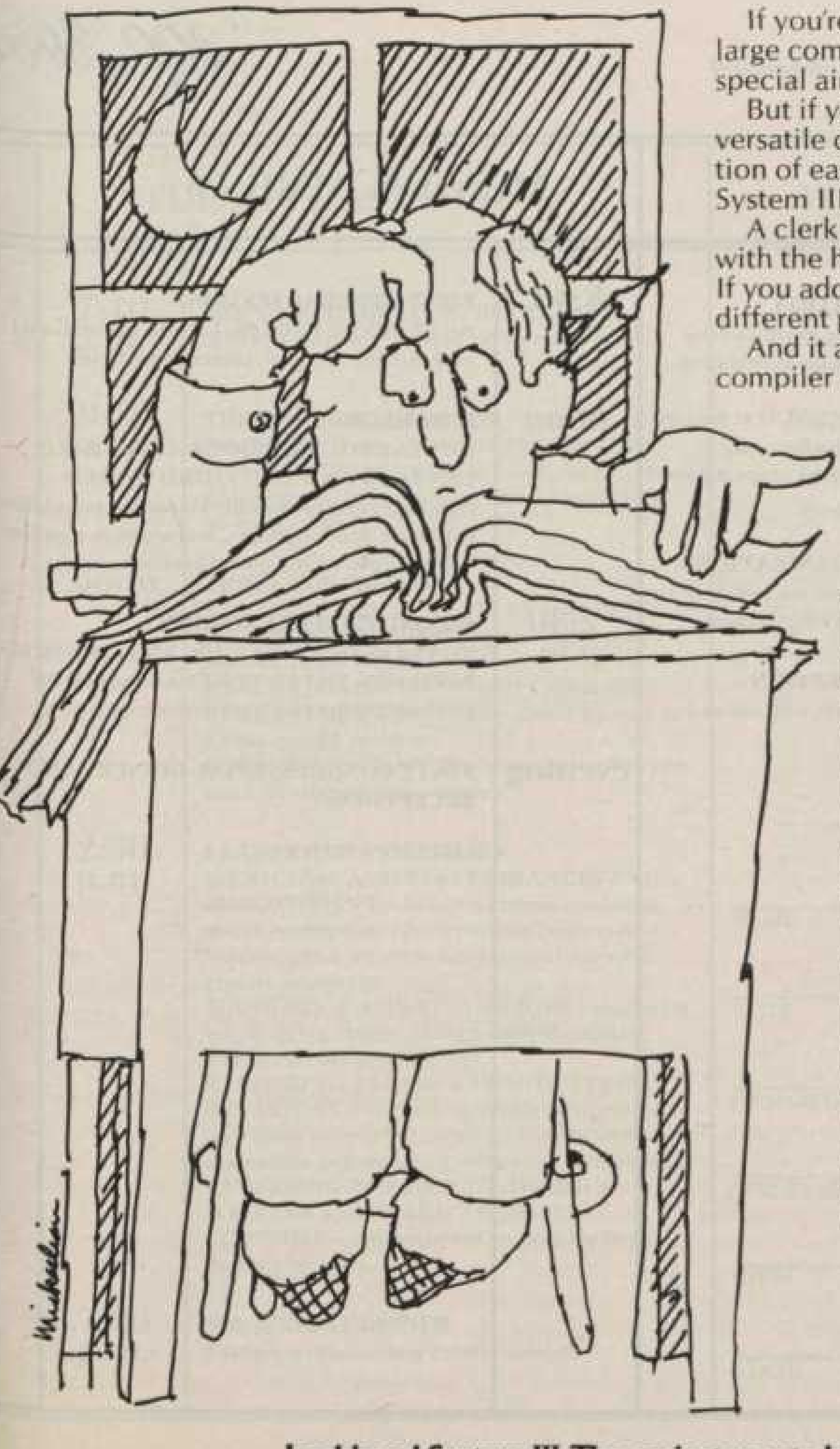
You have been active in the Boy Scouts since your own scouting days as a youngster. What is your philosophy about scouting?

As a businessman, I believe I am responding to a number of needs when I try to help young people become better leaders for tomorrow through scouting. In a very real way, I feel that I am making an investment in the future.

If half of the five million young people in scouting are encouraged to have a deeper commitment to their God, a more profound respect and admiration for their country, and an increased motivation to carry on their own self-development, then I can feel that my efforts have special meaning. At least in part, I have moved a little further toward that goal of a worthy, satisfying existence.

END

REPRINTS *of this article are available from Nation's Business. See page 76 for details.*



You are invited to the 64th Annual Meeting of the Chamber of Commerce of the United States.

"200 Year

SUNDAY, APRIL 25	
10:30 a.m.	**A SALUTE TO THE FEDERATION** FELLOWSHIP SERVICE in the world-famous Kennedy Center Concert Hall with outstanding music and inspiring message. BICENTENNIAL BUFFET BRUNCH at the top-floor atrium and open deck of the Kennedy Center, offering unparalleled views of springtime Washington.
2:00 p.m.	**MANAGING BUSINESS ORGANIZATIONS:** AN IDEA FAIR—helping executives and their organizations achieve increased effectiveness.
5:00 p.m.	**NATIONAL CHAMBER RECEPTION—** an occasion to exchange greetings with old and new friends.

MONDAY, APRIL 26	
8:45 a.m.	**FIRST GENERAL SESSION** 200 YEARS OF PROLOGUE—an inspirational look at America's past, present, and future.
noon	**LUNCHEON** 200 YEARS OF PROLOGUE: OUR THIRD CENTURY AND THE THIRD WORLD—challenges of economic development, population explosion, food shortages, and access to supplies will be explored in a global business context.
2:30 p.m.	**SECOND GENERAL SESSION** 200 YEARS OF PROLOGUE: AN ECONOMIC PATH FOR THE FUTURE—a debate on the merits of the options open to our country.
evening	**STATE CONGRESSIONAL DINNERS AND RECEPTIONS**

of Prologue"

Don't miss this important event. . . . What you learn at stimulating sessions during the three-day program will be highly useful to you as an individual, in your business, and as a community leader. Here is a condensed version* of the program-in-brief planned for the 64th Annual Meeting.

Washington, D.C. **April 25-26-27, 1976**

TUESDAY, APRIL 27

7:40 a.m.	**64th ANNUAL MEETING BREAKFAST –** the key legislative issues of 1976
9:30 a.m.	**THIRD GENERAL SESSION** 200 YEARS OF PROLOGUE: PRESERVING OUR POLITICAL SYSTEM – outlining ways in which interested and active citizens can multiply their effectiveness.
noon	**THREE LUNCHEONS** THE CONTRIBUTIONS OF BUSINESS TO AMERICA – 200 years of progress and opportunities for the future. REALISTIC REFORM OF GOVERNMENT REGULATORY AGENCIES – sound answers to a 200-year-old problem. ENERGY ABUNDANCE – action, at the 200-year mark, to safeguard our future.
2:30 p.m.	**LEADERSHIP ASSEMBLIES** MUNICIPAL AND STATE FINANCES AND MANAGEMENT – focus on actions needed to match appropriate resources with government functions and create a community climate for greater prosperity. ECONOMIC GROWTH AND JOBS – guides for action on tax reform, budget control, capital formation, and productivity. RESTORING BALANCE TO INDUSTRIAL RELATIONS – workable guidelines to protect legitimate interests of employers and workers, and reduce unnecessary government intervention. REVERSING THE DRIFT TOWARD A WELFARE STATE AND TRANSFER ECONOMY – concentration on positive steps that can be taken.
7:00 p.m.	**64th ANNUAL DINNER** Featuring outstanding entertainment.

WRITE TODAY

*For *complete* program-in-brief plus hotel and reservation order form for the 64th Annual Meeting:

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Workers on Your Board of Directors?

THE OLD MANAGER-WORKER relationship is changing in much of Western Europe, and with so many American companies becoming multinational or going into international commerce, repercussions can be expected in the United States.

Increasingly, European workers are being appointed or elected to companies' boards of directors. Others are being named to works councils—go-between employee groups that deal directly with management on a day-to-day basis, consulting on such matters as production and work conditions.

Worker participation and codetermination are terms used to describe the move to give workers direct voices in management. Germans, in whose country the movement started, call naming workers to boards *mitbestimmung* and naming them to works councils *betriebsrat*.

Meany says no

Executives of large American companies are very much aware of the participation movement, and so are American labor union leaders.

AFL-CIO President George Meany strongly opposes union men sitting on company boards, but all union leaders do not feel the same.

Don Stillman, spokesman for the United Auto Workers in Detroit, says his union is "looking at the European experience. Something like it might make sense for our members, although we don't foresee any great moves in the immediate future.

"We are very interested in the democratization of the workplace, and, in a real sense, participation is part of democratization. There is one thing however: The UAW will have nothing to do with tokenism. Participation will have to mean something."

Mr. Meany argues that participation destroys a necessary adversary relationship between management and labor, and he asks: "Who are you if you are a labor man on a board of directors? Whom do you represent? Labor doesn't want to run the shop." In the U.S., he says, participation "is absolutely and completely out. It will not work."

Obviously, many company executives oppose participation as strongly as Mr. Meany does. A NATION'S BUSINESS editor took an informal poll among ten multinational executives attending a meeting in Washington. All said they see no pluses for companies in participation.

Some business support

Here and there in the U.S. business community, there is some support for the idea. Townsend Brown, II, a vice president of Wood, Struthers & Winthrop, Inc., a 104-year-old New York brokerage firm, says: "By and large, our labor leaders identify with, and believe in the capitalist system. Accordingly, I see nothing wrong with having their participation in business decision-making.

"One way to combat worker alienation is to have labor representatives work closely with management—we have seen collective bargaining in the steel industry change from an adversary proceeding to one of cooperation. The enormous plus derived from putting an entrepreneurial spirit on the assembly line is worth whatever risks may be involved in adding labor members to company boards."

Last fall, Chrysler Corp.'s British subsidiary, Chrysler United Kingdom Ltd., offered employees a participation program to include direct representation on the company board. The offer was made during a period of heavy money losses by Chrysler, and the British subsidiary was plagued with constant labor unrest. One long strike was particularly damaging.

Chrysler shortened the workweek and asked the British government for monetary help—which it eventually got in the form of millions in loans and loan guarantees, and an underwriting of losses up to $145 million. British Chrysler's monetary problems, a company spokesman in Detroit says, "put participation in abeyance for the time being." But the company recently renewed the participation offer.

Common Market proposal

Although worker participation has made great strides in Western Europe, there is no unanimity among either management or labor there on the subject.

Officials at the Brussels headquarters of the European Economic Community—the Common Market—for some time discussed a proposed uniform company law for EEC countries, under which worker representation on boards would be a requirement. Since hundreds of American companies own or control subsidiaries within the EEC, and other U. S. companies are in joint ventures with European firms, such a law would be of great concern to them.

As a result of opposition from labor unions and others in EEC countries where such worker representation does not now exist, the proposal recently was shelved.

Worker participation is not dependent on unions, and it is in force at many nonunion plants in Western Europe.

Here is the status of the participation movement in various nations.

Austria. Firms with more than 20 employees must have works councils, which in turn have voices in hiring, promotions, and even in who occupies company housing. If installations are to be closed or organizational changes made, a company must submit for council discussion a report on how workers' lives would be affected. Stock companies with more than 300 employees must have one third of their board seats occupied by worker members, who are nominated by workers.

Belgium. Firms with more than 50 employees must have councils which are consulted on organizational changes and working conditions. They are informed on economic affairs. There are no requirements for workers on boards of directors. However, plans are afoot for extending participation in this direction.

Denmark. Works councils are not required, but they frequently exist through union-management agreements. By law, at companies with more than 50 workers, there are two representatives of workers on boards. These representatives are elected by their fellow employees.

France. Works councils are required by law for all companies with more than 50 employees, although the law is not enforced at thousands of companies. The councils can send two members to board meetings on a consultation basis.

Ireland. There are no requirements for works councils or worker members of boards. The government, however, is considering instituting worker participation on boards.

Italy. There is no movement toward participation.

Netherlands. Works councils are compulsory in firms with more than 100 employees. Councils have extensive codecision rights in matters relating to safety, pensions, profit sharing, holidays, and working hours. A works council can nominate members for the board, which elects its own members subject to veto in certain circumstances by the council or shareholders. The government is considering expanding the power of the councils.

Norway. There are no works councils; but firms with more than 50 employees must conduct company assemblies, which are attended by stockholder and employee representatives. Workers for companies with more than 200 employees have the right to elect one third of board members.

Sweden. Firms with more than 50 employees must have works councils, which are consulted on financial and economic problems that do not prejudice stockholder interests. Workers are not required on boards, but firms with more than 200 employees must admit two worker representatives to boards if unions demand it. Expan-

sion of participation is under consideration.

Switzerland. Works councils are not required, but they exist on a voluntary basis at many companies. Worker members of boards are not required by law, and are rare.

United Kingdom. Hundreds of firms have voluntarily established works councils with a variety of functions. A few companies have workers on boards, but this also is not required.

A two-tier board system

In West Germany, worker participation is more advanced than in any other country.

The concept of works councils dates back in Germany to 1848, a year of social and political change. However, councils didn't become widespread until after World War I, when Germany's Weimar Republic flowered. Councils then were formed at many companies. In the 1930's and 1940's, Adolf Hitler not only destroyed German labor unions, ordering union buildings burned, active unionists killed or imprisoned, and union money confiscated, but he wiped out works councils, too.

After World War II, unions were reestablished with the help of American and British unions, and during the allied occupation, worker participation was instituted in West German coal and steel companies.

Many German companies soon put in a two-tier board system. A supervisory board, roughly equal to an American board of directors, sets policy, while a management board carries out policy and operates the firm on a day-to-day basis.

In German coal and steel companies with more than 1,000 workers, a supervisory board includes an equal number of stockholder and worker representatives, plus one neutral member who is nominated jointly by stockholders and workers. The labor members of the supervisory board name a member of the management board.

In other industries, one third of the supervisory boards at many firms must represent employees. The supervisory board appoints members of the management board, and no one can serve on both boards.

Works councils are common. They are required in all companies with at least five employees, if the workers wish it. The councils are consulted on safety, manpower, and production, and company investment programs often are discussed with them. The councils must approve working hours and conditions, wages, hiring, firing, mergers, closings, and takeovers.

The bright side

Many claims are made in favor of worker participation. They include: advancement of industrial peace by keeping employees better informed on a firm's financial condition; reduction of absenteeism through better understanding of work loads; improved communication in general between managers and workers; increased productivity; and lessening of employee resistance to changes, because the workers participate in planning.

Proponents say that if a worker invests his time and effort in a job, he has as much right to a say on how the firm is run as the stockholder.

During post-World War II years, as West Germany has moved high among the world's producing countries, it has indeed enjoyed industrial peace. Only a few labor flare-ups have taken place. And there are cases where German workers agreed to settle for small increases in pay, instead of demanding 15 or 20 percent raises, when their own representatives on boards explained their companies' financial condition to them.

There is little question that most German workers and unions favor participation. A poll published recently by the Ministry of Labor found that 64 percent of 5,800 workers contacted expressed a measure of satisfaction with the system.

German employers' dim view

German executives, who have lived longer with worker participation than any others and therefore should know more about the movement, are usually opposed to sharing of decision-making with employees. They give it no credit for their country's striking economic progress.

Dr. Hans Martin Schleyer, president of the Federal Association of German Employers, says: "A functioning company demands decisions. But parity on boards leads to factions, and this invariably leads to paralyzing of decision-making because there is a deadlock. Anyone who likes to keep the legend alive that mitbestimmung has proven its value is wrong. It has only proven its value for the unions."

Hans-Guenter Sohl, chairman of Thyssen Huette AG, one of the world's largest steel producers, says: "Inherent in mitbestimmung is the danger that it will limit functioning of the company, slow down decision-making, and paralyze the whole management at times. Stalemate situations are inevitable."

Otto Wolff von Amerongen, president of the German Association of Chambers of Industry and Commerce and chief executive of a steel firm bearing his name, says: "Codetermination, as practiced in the coal and steel industries, is definitely one step too far." He says that it has led to questionable compromises reached just to overcome stalemates, and that it has forced agreement to package deals which have not been good for either labor or management.

Several other German industrialists say worker participation scares off potential foreign investors in German industries.

Conflict of interest

Kurt H. Biedenkopf, federal manager of the Christian Democratic Union political party, names Eugen Loderer, chairman of the Iron and Steel Workers Union, as an example of what's wrong with participation. He points out that Mr. Loderer is deputy chairman of the supervisory board of Volkswagen and that VW negotiates with Mr. Loderer's union. He calls this an impossible situation, because union contracts should "only be negotiated and signed by people who are independent of each other."

Robert Lutz, Ford Motor Co. director general in Germany, also sounds a conflict-of-interest theme. "In principle," he says, "I believe that codetermination inside a company is a good thing. But I believe the presence at board meetings of union functionaries who are responsible to their headquarters is a real mistake. These people have no ties to the company." END

A BICENTENNIAL SALUTE TO AMERICAN CITIES:

CHARLOTTE

PHOTOS: DENNIS BRACK—BLACK STAR

Making Things Happen

NOT MANY American cities can say they were founded on romantic love.

Charlotte, N. C., can.

It was love that prompted Thomas Polk to follow Susannah Spratt to the area in 1753 and stake out a homestead for himself on the crest of a ridge. That is where Charlotte is today.

It is there because tough, independent frontiersfolk made it thrive and their descendants have perpetuated their industry and zeal.

Underneath manicured lawns in modern Charlotte there could be a fortune—the city was once the center of a gold strike. But it isn't gold that draws people to Charlotte today.

What draws them to this city of 305,000 in a metropolitan area of 615,000 are many opportunities to be found in the Carolina Piedmont, which stretches from the Atlantic midlands to the forested Appalachian mountains to the west. Population projections indicate that this stretch from Virginia to South Carolina,

Fifteen years ago, downtown Charlotte was old and shoddy, but a massive renewal program has created a modern, sparkling business, government, and educational hub that includes a civic center and a 17-story hotel. Stressing livability, city planners are reserving space for parks and cultural activities.

Charlotte has been able to blend the traditionally leisured gait of a Southern city with the quicker pace that has accompanied its becoming an important financial and commercial center. A city of quiet, tree-lined streets and comfortable homes, Charlotte is now a mecca for those who want the excitement of a thriving urban area along with casual, outdoor living.

Economic diversification is a high-priority goal for metropolitan Charlotte, which already is well on its way toward that goal with almost 700 manufacturing plants. Products range from crackers and candy to such high-technology items as turbines for nuclear power plants. Below: A Westinghouse Electric Corp. inspector checks a turbine fabricated at the firm's Charlotte plant.

A city of citizens with traditions of independence and initiative is making economic progress while maintaining a pleasant environment

today a mixture of urban and rural, will be the nation's fifth largest urbanized area by the year 2000.

Metrolina—leader in textiles

Located in the heart of this region, sometimes called the Golden Crescent, are 12 counties known as Metrolina, one of the South's major industrial areas and the center of textile production in the nation.

Charlotte is the capital of Metrolina's 1.25 million-plus people. In addition to being big in textiles, the city is the financial, distribution, and transportation hub of the region. It is also one of the nation's major wholesaling centers, with some 1,400 firms doing more than $6 billion in annual sales.

Just a few miles north of the South Carolina border, the city is a maverick in the state of North Carolina, whose fiercely independent natives often describe their state as being "a valley of humility between two mountains of conceit"—which doesn't necessarily endear them to residents of Virginia and South Carolina.

Within the state, Charlotte and its county of Mecklenburg are particularly independent and, at times, cantankerous—especially when it comes to relations with the state's coastal regions. Coastal North Carolinians often call Mecklenburg County "The Great State of Mecklenburg."

This feeling of regional difference reaches back to the time when wealthy, aristocratic folks near the coast, with their big plantations, recoiled at the brash frontiersmen.

Young Tom Polk, the first settler of present-day Charlotte, was a surveyor from Cumberland County, Pa. Enamored of Susannah Spratt, he had saddled up and followed her family on a trek south in search of new farmland.

Romance and commerce

Her father found the farm tract he was looking for, and built a cabin. Tom Polk chose to build his cabin nearby, where two Indian trails intersected. Not only Susannah, whose hand he won, was on his mind. He was also interested in commerce. It is generally agreed that Mr. Polk was a smart entrepreneur—he operated a mill, among other endeavors—and was the region's first land developer. He became the leader of a wave of Scotch-Irish settlers.

They were a canny lot. In 1762, they were successful in having the area designated a separate county, undoubtedly aided by the fact that they wanted to name the county Mecklenburg after the home principality of the bride of George III, Princess Charlotte of Mecklenburg.

There was rivalry for the county seat, but Mr. Polk rose to the occasion. He and fellow settlers erected a frame courthouse overnight in the middle of the intersection of the Indian trails, near which the Polk house stood. Land had been laid off for a village centering on Mr. Polk's house, and to nail down the county seat designation, Mr. Polk and Co. named the village Charlotte Town.

Charlotte Town was made the county seat.

Declaration of Independence

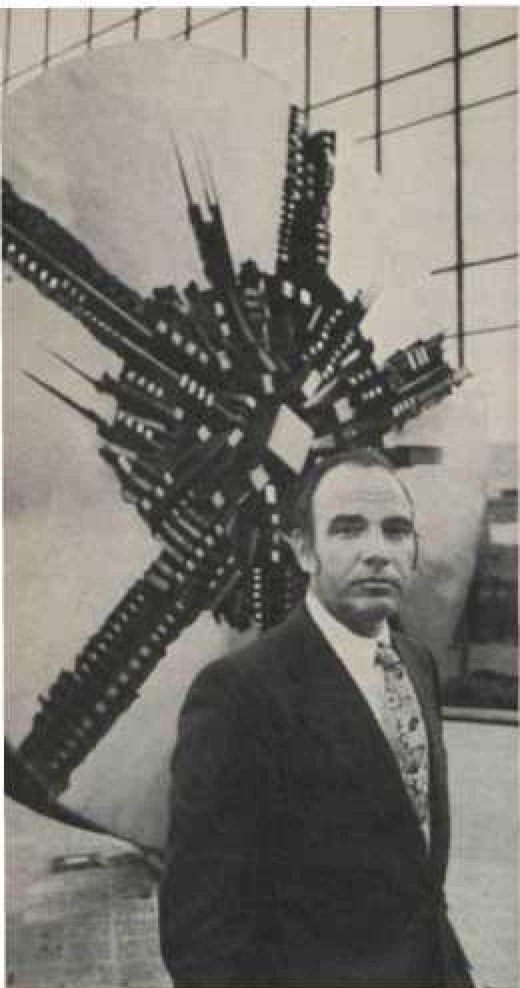
Relations with the crown deteriorated in the years that followed. On May 19, 1775, at Charlotte Town's courthouse, 27 of Mecklenburg county's more important citizens were discussing the deterioration when a courier rode into town bearing news of the battles of Lexington and Concord in Massachusetts a month earlier.

By midnight, the angry 27 had fashioned a six-part proclamation declaring that Mecklenburg County was dissolving the political bonds to England.

A few days later, Capt. James Jack left by horseback for Philadelphia to present the Mecklenburg Declaration of Independence to the North Carolina delegation at the second Continental Congress.

"May 20, 1775" is inscribed across the top of North Carolina's state flag in honor of the Mecklenburg Declaration. A sure way to arouse the ire of North Carolinians, and especially of Mecklenburg County residents, is to question the validity of the Meck-

Left: An intricate process in the manufacture of quality textiles is the silk-screening process. Charlotte is the wholesale and distribution capital of Metrolina, a 12-county region in the Carolina Piedmont which is the center of the nation's textile industry. Interstate highway I-85, which runs through Charlotte, is known as Textile Highway in Metrolina.



Above: Not having a dominant local industry has been an asset, says North Carolina National Bank Chairman Luther H. Hodges, Jr., who also is chairman of the Charlotte Chamber of Commerce. The current thrust is for white-collar and service industries. Behind Mr. Hodges is "Grande Disco," by Italian artist Arnaldo Pomodoro, which stands in NCNB Plaza, in front of his bank's futuristic building.

As a result of hard work and community cooperation, the city overcame a potentially explosive situation spawned by forced school busing. A calming factor was the school board headed by William E. Poe (above). With him in front of a downtown educational center is banker Walter S. Tucker, a leader of the black community.

Charlotteans have come to expect good government as their due, and Mayor John M. Belk (left) and Mrs. Elisabeth G. Hair, Mecklenburg Board of County Commissioners chairman, are attuned to the needs of their growing constituencies. The population of Charlotte and the surrounding county is projected to increase from 615,000 to 750,000 in the next 20 years.

lenburg Declaration, as some people do. The original document has never been found, and a copy was lost in a fire. The wording was recalled from memory, by a participant, some 30 years after the event.

Battling Cornwallis

The declaration's detractors point out that the words smack strongly of Jefferson's. Not taking sides, President Ford went to Charlotte last May 20 to help the area celebrate the 200th anniversary of the Mecklenburg Declaration.

While the old courthouse is long gone, the city has placed a bronze plaque at the site of the structure, now the corner of Trade and Tryon streets. The spot has been named Freedom Square.

Mecklenburgers flocked to the new nation's colors and were in many of the early battles. Tom Polk, for example, was a colonel during the cruel winter at Valley Forge.

Lord Charles Cornwallis captured Charlotte in 1780, but his stay was short and humiliating. His foragers were harassed constantly, and, following a defeat of British and Tory forces at King's Mountain, 30 miles away, he retreated.

This month, the British return to Charlotte, offering a bicentennial salute in the form of performances by Black Watch and Royal Marines regimental bands. They will get a much friendlier reception than that accorded Lord Cornwallis.

Charlotte had a population of about 500 in 1791, when President Washington paid the town a visit. He noted in his diary that Charlotte was a "trifling place."

Gold rush

While the rest of the nation grew rapidly, Charlotte remained pretty much the same—a farming center established by Tom Polk.

Mr. Polk died a few years before an unusual 17-pound rock was found in a stream and brought home by

Left: Area planning is the task of the Charlotte-Mecklenburg Planning Commission, headed by Allen Tate (right). With him is William J. Veeder, city manager when the downtown rebuilding began, and now president of the Charlotte Chamber of Commerce. The chamber has a key role in local economic development. A goal of both groups: Restoration and use of the few old homes remaining in the inner city.

PHOTO: TOM LANDER

The renovated former home of the First Baptist Church will become a downtown cultural center as part of Charlotte's Cultural Action Plan. With William H. Williamson, III, president of the Arts and Sciences Council, are trustee Mrs. George E. N. Montague (center) and Mrs. W. R. Cuthbertson, vice president. When completed, the complex will be known as Spirit Square.

A foundation for cultural activities in the city is generous giving by corporations such as Korf Industries, headed by President Wolfgang Jansen (right). The Cultural Action Plan, funded by the city, county, and Arts and Sciences Council, was developed by a firm headed by Architect A. G. Odell, Jr. (left).

The region celebrated the 200th anniversary of its own declaration of independence last year. A. Grant Whitney, chairman of the Charlotte-Mecklenburg Bicentennial Committee, stands in front of a replica of the clapboard courthouse in which the Mecklenburg Declaration of Independence was written in 1775 and then rushed to Philadelphia.

young Conrad Reed in 1799. Young Reed's family used the rock as a doorstop for years, until it was recognized to be almost pure gold.

In 1825, a saloonkeeper named Samuel McComb discovered gold a mile southwest of the courthouse, and a rush was on.

Charlotte became the gold mining capital of the nation and remained so until California's 1849 gold rush.

At one time or another, some 100 gold mines were in operation in Mecklenburg County.

Over the objections of Philadelphia, Congress authorized a branch of the U. S. Mint for Charlotte, and the branch opened in 1837.

The legislation was marshaled through Congress by Speaker of the House of Representatives James K. Polk, a nephew of Tom Polk. Rep. Polk would in time become President of the United States. Signing the bill into law was then-President Andrew Jackson, who had gone to a Charlotte school and was admitted to the bar in the city.

The coming of the banks

From 1837 to 1861, the Charlotte mint coined more than $5 million in gold pieces. It continued in operation until 1936. Now, it's a museum.

By 1860, Charlotte's population had doubled, and the mint's existence had led to the creation of banks. The city was on its way to becoming the financial center of the Carolinas.

Today, Charlotte claims the distinction of being the banking capital of the entire South, with banking resources totaling more than $11.6 billion.

Five of the nation's 100 largest banks are based in Charlotte, or have major branches there. Charlotte's NCNB Corp., with assets of $3.9 billion, is the largest financial institution in the South, and Charlotte's First Union Corp., with assets of slightly more than $2 billion, is the South's 11th largest.

For all its industriousness, Char-

lotte might have stagnated when its gold mining waned, but another opportunity presented itself and the citizens went after it.

The coming of the railroads

Long-laid plans called for the area's first railroad to bypass the town, but the intended beneficiary—Lincolnton—wasn't enthusiastic about railroads. Charlotte was, and it welcomed the first train in 1852.

As it has to the United States in other wars, Charlotte provided its sons in abundance to the Confederacy during the Civil War. It received one reward in 1862: The Confederate navy yard at Portsmouth, Va., threatened by Union troops, was moved 250 miles inland to Charlotte. For the rest of the war, the navy yard operated there, shipping armaments and other equipment for Confederate vessels by rail. After Appomattox, many of the craftsmen stayed, to give the city something it needed—a nucleus of skilled industrial workers.

At the very end of the Civil War, Charlotte played a role as the last capital of the tottering Confederacy. President Jefferson Davis and his fleeing cabinet held their final meetings in the board room of the Charlotte branch of the Bank of North Carolina.

The city emerged from the war minus war wounds like those Atlanta suffered, and by 1870, Charlotte's population was triple its 1860 level.

Charlotte was being built on the premise that business is the most important element in society. When the city celebrated the 100th anniversary of the Mecklenburg Declaration, "Harper's Weekly" noted that the only building in Charlotte that was at least a century old was the one that had been Tom Polk's home. That building later was demolished, too. On its site today are an Eckerd drugstore and a Belk department store.

The coming of textiles

At the turn of the century, Charlotte boasted a population of 18,000, and an industry had come over its horizon which would bring it many thousands of new residents.

Metrolina's first textile mill was

"Two Accomplishments, Difficult And Equally Rare Of Attainment, Were Achieved By WBTV News Staff This Year."

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WBTV News was one of 10 winners selected from 900 entrants in the 1974-75 Alfred I. Dupont-Columbia University Awards in broadcast journalism.

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opened in 1813 beside a small stream near Lincolnton, but until this century, the Northeast—especially the New England states—dominated the textile industry. There was no evidence of an end to this dominance until the early 1900's, when there was a move to the South because of lower costs of labor, land, and taxes. The move continued for decades.

In 1971, the South accounted for 71 percent of all U. S. textile employees, 95 percent of the spinning spindles, 85 percent of the looms, 75 percent of the warp knitting machines, 60 percent of the double knit machines, and 90 percent of the hosiery machines.

Charlotte has become the capital of the nation's textile industry, but not of textile manufacturing as such. Mills, located in adjacent counties, look to Charlotte for finance, distribution, transportation, and research and development.

New transportation trends

Always eager for progress, Charlotte opened a municipal airport in 1936. This proved to be wise, because of air travel's increasing importance. The airport was expanded to meet the needs of the jet age, making Charlotte the ideal place in the Carolinas for corporate home and regional offices.

The city has also capitalized on another transportation trend—movement of freight long distance by trucks. Charlotte has been a strong advocate of roadbuilding, and new highways built by the state gave the city access to points in all directions.

Today, Charlotte is surpassed only by Chicago as a trucking firm center. There are 115 major trucking firms in the area and more than 5,000 tractor trailers are based in the city. The city is also a haven for salesmen. It is estimated that 5,000 salesmen leave Charlotte every Monday and return on Friday.

Diversified industry

The Charlotte Chamber of Commerce says its area is a good place in which to make money. The more you examine the local business picture, the more obvious that becomes.

Charlotte is one of the nation's top marketing centers for synthetic fibers, dyes, and other textile chemicals. Because synthetic fibers are technically classified as chemicals, the city ranks fourth in wholesale sales of industrial chemicals, behind New York, Chicago, and Philadelphia.

New synthetic fiber plants and textile machinery firms are adding to a diversified industrial base. There are nearly 700 manufacturing firms in Mecklenburg County, turning out not only textiles, but food products, printing and publishing products, machinery, chemicals, nuclear power plant turbines, radial tires, truck trailers, and automobile clocks.

Nearly 1,500 people are employed in a wide variety of research and development. This phase of Charlotte's economic history was launched in 1957, when Celanese Corp. began operation of a large laboratory there. Since then, a number of regional and national firms have located in University Research Park, which is adjacent to the University of North Carolina at Charlotte—one of the fastest growing educational institutions in the Carolinas.

Other major institutions in the area are Queens College, Davidson College, Johnson C. Smith University, and Central Piedmont Community College. The latter, under President Richard H. Hagemeyer, is geared toward training students to meet Charlotte's growing need for a more sophisticated work force.

Mr. Duke and his dams

A main factor in Charlotte's ability to grow stems from a visit to a doctor by tobacco magnate James Duke. The doctor told Mr. Duke about a young engineer who had the idea of damming up the Catawba River to generate electricity for textile mills.

Mr. Duke, as a result, founded Duke Power Co. in 1904, bought up immense tracts of land, and built a mansion in Charlotte. In the ensuing years, his company, the only major utility founded and at one time solely owned by an individual, built 11 dams. They provide flood control, recreation, and free water to 19 communities in Metrolina.

The water in Charlotte taps comes

from Lake Norman, just north of the city. Duke engineers estimate that if not another drop of rain fell, Lake Norman could provide Charlotte with water for 55 years.

Today, the utility relies primarily on coal for its power plants. But by 1990, it expects 75 percent of its power to be nuclear.

Charlotte is well on its way to becoming an all-electric city. The downtown already heats with electricity, and most homes and apartments being built in residential areas are totally electric. Also, most industry in the area is electrified.

A new downtown

Planning in Charlotte is the job of the Charlotte-Mecklenburg Planning Commission, a joint city-county agency established in 1954. It is the clearinghouse for federal and local development funds.

The old city core, including the central business district, benefits from the commission's policy of limiting the number of utility hookups in outlying areas, hoping in this way to bring population growth toward the center of the city.

Certainly, as far as working hours go, population is growing in the downtown. Today, 40,000 people work there. In 1995, planners expect, the total will be 90,000.

Charlotte has a new downtown. The city was one of the original ones in the Model Cities program, and it swept its downtown clean, beginning at the intersection of Tryon and Trade streets, where the two Indian trails once crossed.

Since 1971, more than a dozen major buildings have been constructed at a cost of more than $170 million. These striking examples of modern architecture are a lure to new firms and the people they bring.

Charlotte's population has risen 300 percent since 1940, and continuing growth is expected.

A young population

About 45 percent of the net growth is from in-migration, reports architect W. Crutcher Ross, a member of the Charlotte-Mecklenburg Planning Commission.

Projections indicate that metropolitan Charlotte will have a popula-

Above: Charlotte is still home to entrepreneurs such as E. Pat Hall, who once based his bid for a plant he wanted to buy on its street address. The figure was suggested by his secretary, Mrs. Margaret Means (left). Mr. Hall's bid won, and he now rents the plant to industry. He parks his two private railroad cars in the plant complex, where he once worked as an office boy.

The difference between Charlotte and other cities in the area is that it quickly grabbed opportunities others ignored, says Charles H. Crutchfield, president of Jefferson Pilot Broadcasting Co.

Noted humorist and author Harry Golden ("Two Cents Plain") has made the city his home for 30 years. Sometimes he levels his cutting wit at what he considers puritanical customs, but he says of friendly Charlotteans: "They like me and I like them."

tion of 750,000 by 1995. It's likely to be a young population, with about half under 25 years of age. A goodly number of the people coming to the area will be college graduates or professionals.

There already is a definable trend toward increasing skill in the work force, according to the American Textile Manufacturers Institute, which is located in Charlotte. Other industries have tapped the textile industry for manpower, and many employees have been trained for more complex jobs.

Emphasis on livability

Only about ten percent of the Charlotte area work force is unionized. Many organizing attempts have failed because of paternalistic management and strong individualism of workers. However, there is some growth in unionism, as more minority members gain employment in textile mills.

Looking to the future, Charlotte is emphasizing livability. The climate is moderate at an elevation of 765 feet. Residents are within a few hours of both mountains and seashore.

It is a city of graceful homes and a multitude of trees.

Charlotte Mayor John M. Belk points out the city has planted 30,000 trees. "We've got more now than when the Indians were here," he says. "There are 13 million trees in Mecklenburg County."

There is an increasingly cautious attitude about growth.

Mrs. Elisabeth G. Hair, chairman of the Mecklenburg Board of County Commissioners, reflects: "Although this is rapidly becoming an urbanized county, we hope the small town, semirural identity will remain. To say no to growth is ridiculous. But we have to commit ourselves to certain values in order to keep the area livable."

Says Mayor Belk: "We don't care about being the biggest city in the South—just the best city."

There has been a significant thrust toward more citizen participation in cultural activity, says William H. Williamson, III, president of the Arts and Sciences Council. The council raises money for support of the Mint Museum of Art, Nature Museum, Charlotte Symphony, and Charlotte Opera, as well as for many smaller groups which in the past haven't fared too well.

Corporate citizens are major contributors to the council. For example, Korf Industries, Inc., a West German firm's American subsidiary headquartered in Charlotte, contributes heavily to the group's funds. Wolfgang Jansen, head of Korf's American op-

"Grande Disco" by Arnaldo Pomodoro. Located on Independence Square in uptown Charlotte, the 6-ton bronze sculpture was commissioned by NCNB Plaza.

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erations, says: "We believe a corporation has a responsibility to the community. So we concentrated on support of the arts."

One thing Charlotte lacks, say many who have migrated from the North, is the sophistication of cities like New York and Boston.

Not that this is a negative factor, Charlotteans point out. Many newcomers say a major Charlotte attraction is a casual, out-of-doors way of life that doesn't emphasize the more intellectual pursuits.

Coping with race problems

About 30 percent of Charlotte's population is black, and the city has had its share of problems with school busing for racial reasons.

However, a community effort to lessen tension over busing paid off. An important part of this effort was a vigorous public affairs program. The Rev. Billy Graham was a key factor, according to Charles H. Crutchfield, president of Jefferson Pilot Broadcasting Co. The Charlotte-born and raised evangelist made a number of television spots.

"If it hadn't been for Billy Graham and other responsible people, both white and black, we could have had an explosion bigger than Detroit or Boston," says Mr. Crutchfield.

The nation's school busing desegregation decisions had their start in Charlotte with the filing of a suit against the local school board in 1964. Charlotte responded by closing seven previously all-black schools and making assignments regardless of race.

"This was a revolutionary move by a Southern city," recalls William E. Poe, chairman of the school board. "We thought we were constitutional—we wanted children to go to the nearest school. But in the spring of 1969, the court found otherwise and suggested that we have a 70-30 ratio and bus students to achieve it. This created a tremendous amount of trauma."

School officials appealed to parents and students to abide by the order, whether they considered it legal or otherwise. Cool heads prevailed.

The judicial ruling eventually reached the Supreme Court and was upheld. "It was a shock," Mr. Poe, a lawyer, recalls.

Pride in the record

However, Jack Claiborne, a columnist on one of the city's two newspapers, "The Charlotte Observer," says that "by the time the Supreme Court ruling came, the people here had had a year of busing and saw it wasn't so bad."

Some 20 percent of white students go to private schools, but Charlotte is proud of the fact that busing in the city has not been accompanied by violence.

It is also proud of its continuing commercial spirit.

Charlotte businessmen enjoy entrepreneurial accomplishments. E. Pat Hall is one of the more notable recent examples. A successful developer, he decided a few years ago to bid on a former federal missile factory in Charlotte where he had once worked as an office boy.

First he thought about basing his offer on the street address of the General Services Administration office in Atlanta that was soliciting bids. The address was 1776 Peachtree Street, so he was going to offer $1.776 million, he says.

"Why not bid the street address of the plant?" suggested Mrs. Margaret Means, his long-time secretary. The plant was located at 1820 Statesville Avenue.

Taking the initiative

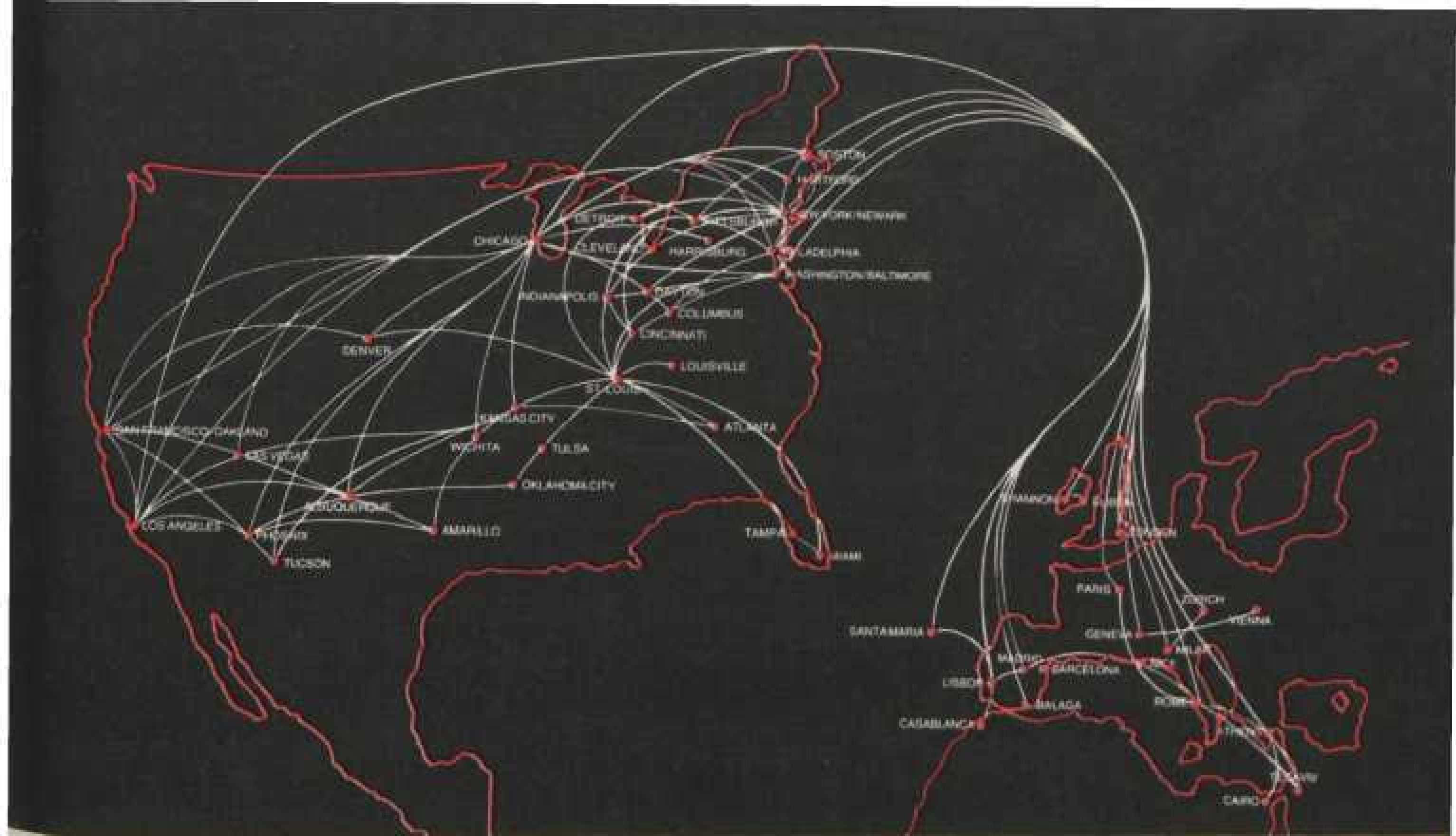
So Mr. Hall bid $1.82 million. His bid topped all the others by a few thousand dollars, much to his competitors' chagrin.

Recalling the caper, Mr. Hall says with a smile: "My Yankee friends said, 'That stupid Southerner doesn't know what he's doing.' Of course, I knew pretty well what that bid should be."

This is symptomatic of Charlotte's attitude—it knows pretty well where it wants to go, and it isn't going to wait on Lady Luck to take it there.

Charlotte, its residents tell you proudly, will make things happen.

END



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Realizing Recycling's Potential

At a time of widespread applause for recycling of materials, industry's use of such materials is lagging. Here are some explanations and suggestions

BY EDWARD M. SYRING, JR.

In recent years, the American public has increasingly recognized the importance of recycling materials to reduce the consumption of energy and the depletion of scarce natural resources. Yet recycled materials' share of the market for such things as paper, aluminum, copper, lead, and stainless steel has declined over the past two years.

The recession was one reason for this—in some industries, secondary materials are used to supplement virgin materials only in boom times. Also, however, there are long-standing government policies and freight-rate inequalities which discriminate against the use of secondary materials.

Each year, Americans discard approximately a quarter of a billion tons of solid waste, more than 80 percent of which is collected by public and private refuse firms. [See "America's Heritage of Recycling Material," page 84.]

The cost of collecting and disposing of solid waste—as much as $35 a ton in some cities—totals $6 billion annually nationwide. And this cost will rise as wage rates increase, hauling distances lengthen, land values go up, and environmental regulations impose higher standards of performance on refuse systems. Our taxes, of course, will rise to pay for this environmental liability.

40 percent of needs?

Given the assumption that it is imperative to conserve energy and natural resources, what kind of benefits could be realized by using secondary instead of primary materials?

Dr. Syring is economist for Marine Midland Banks, Inc., and a senior vice president of the company.

There is recycling, to some extent, of nearly all major materials, but the recovery rate varies significantly. It is nearly 50 percent for copper, 30 percent for iron and steel, 20 percent for paper and paper products, and only four percent for glass. In most cases, the recovery rate is lower than it was 20 years ago. Nevertheless, it has been estimated that recycling could provide about 40 percent of material requirements in the manufacturing sector.

It should be pointed out that each ton of scrap material wasted could satisfy an equivalent demand for primary material, and thereby relieve pressure on energy and resources. Also, because of relative costs or physical scarcity, some materials can only be obtained abroad. Recycling of available scrap would alleviate pressure on the balance of payments and would provide jobs.

Another important benefit of recycling is that use of secondary materials consumes less energy per ton of production than primary materials, as determined by studies of steel, aluminum, copper, and paper production. It is estimated that total U. S. energy demand could be reduced about two percent by the recycling of available steel, aluminum, and

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Realizing Recycling's Potential *continued*

paper. An alternative method of resource recovery—burning municipal waste—would satisfy about three percent of the nation's energy needs.

Finally, the use of primary materials loads the environment with atmospheric emissions and solid and waterborne wastes. Studies show that the adverse environmental impacts that could be avoided by recycling are substantial.

Prices drop; demand, too

The problem of increasing the use of secondary materials is basically an economic one. Materials producers would use high-quality, suitable scrap if the costs were competitive with costs of virgin materials, and if production facilities were capable of using secondary materials.

Prices of some scrap materials have fallen as much as 50 percent in the past year, and yet demand for them has declined. Why? There are several reasons.

In-place technologies that have been perfected over the years make it less expensive to use virgin materials. This has been shown to be true in paper and nonferrous metals production. However, there are indications that if environmental costs were included in the costs of production, they would make an appreciable difference in the relative prices of primary and secondary materials.

Another factor that increases the relative costs of secondary materials is federal government tax policies—over the years, they have favored extractive industries. Capital gains treatment of profits, depreciation schedules, depletion allowances, and other tax write-offs favor the use of virgin materials because these tax incentives are reflected in the materials' prices.

Probably the best way to determine the optimal level of recycling would be for the government to provide tax credits to users of recycled materials. This would enhance the functioning of the free market, and put primary and secondary materials on an equal footing in the marketplace.

Also part of the recycling equation is the capital structure of the processing industries. Because of this country's abundant endowment of natural resources, materials-processing industries have directed their operations to take advantage of these raw resources, and existing plants can accommodate only a limited amount of scrap without investment in new facilities. Moreover, the vertically integrated structure of the virgin materials industries discourages scrap use even when it is inexpensive.

Transportation costs are an important factor in the economics of recycling, since they are a large percentage of the total costs of using some secondary materials. Shipment by railway is the major mode of transportation for most scrap, and the rail-freight rate system that developed around the turn of the century encouraged the mining, forestry, and agricultural industries. This system favors raw materials with lower rates than manufactured goods, and secondary materials are included among manufactured goods for rate purposes. It would seem reasonable that the system of determining freight rates be evaluated and possibly revised to provide more equitable treatment of secondary materials.

Government procurement

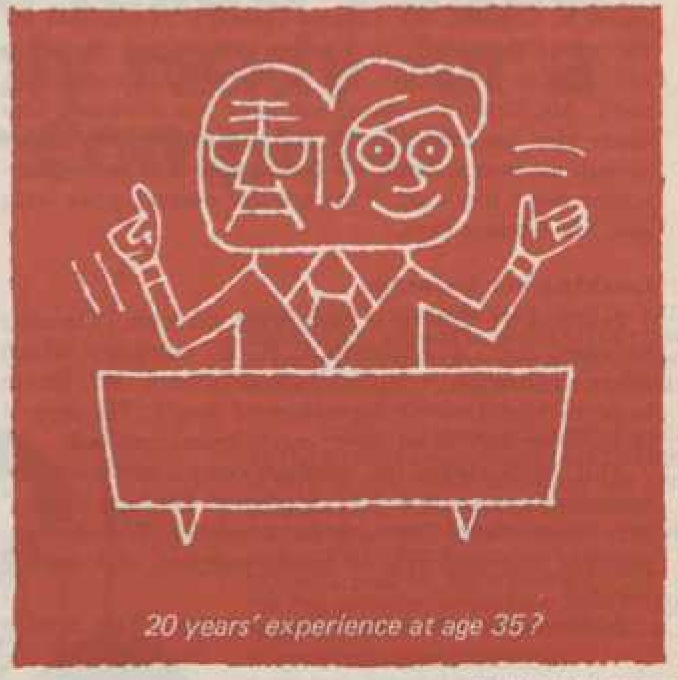
Another consideration in the recycling issue is government procurement policy. As a large consumer of goods, the federal government should use its vast purchasing power to provide a more stable, viable market for products made from recycled materials. Moreover, the government could provide sponsorship for research on and the development of recycling technology, as it has for many other industries.

Of course, the economics of recycling is a complex subject that cannot be treated adequately in a few paragraphs. However, it is obvious that many natural resources are becoming more scarce, more complicated to extract or put into usable form, and more expensive.

Many institutions, laws, and government procedures will have to be changed in order to create incentives for more use of secondary materials. It would be wise to act soon, while we still have a choice.

Making a Choice Between Youth and Experience

BY RAYMOND DREYFACK



20 years' experience at age 35?

DRAWINGS: CHARLES A. DUNN

What should you look for in filling a key job—experience and maturity, or the enthusiam and vitality of youth? This article gives pros and cons

"The destiny of any nation, at any given time, depends on the opinions of its young men under 25."—Goethe.

"Experience takes dreadfully high school-wages, but he teaches like no other."—Carlyle.

You need someone for a key supervisory job or to perform an important project or task. Whose advice do you heed: Carlyle's or Goethe's? Do you pick a fiery, young go-getter or a savvy, old pro?

Hiring and assigning employees is an iffy proposition at best, comments C. Eugene Looper, who is vice president-personnel for Southeast Banking Corp., Florida's largest bank holding company. "It's like lending money. Sometimes you get 100 percent return; sometimes you take a chance."

Taking a chance on the young college graduate can be risky, cautions management consultant Richard S. Buse, president, Patrick B. Comer Associates, Inc., Greensboro, N. C. "He may sound like hell on wheels, but whether or not he can deliver is a question."

Another consultant, James B. Webber, director, Cambridge Research Institute, Cambridge, Mass., says the vision to project into the future is a prime characteristic of leadership. "Rarely," he says, "is it fully developed in a youthful candidate."

That's one side of the coin. London financier Oliver Jessel disagrees. He organized Britain's biggest private steel producer, Johnson & Firth Brown. Mr. Jessel put 28-year-old Oxford graduate Philip Ling at the helm of the once-stodgy firm. With a 26-year-old assistant, Mr. Ling boosted earnings per share 25 percent.

Thomas A. Buffum, owner of the Boston executive search firm, Thomas A. Buffum Associates, describes the problem this way: "Our clients are tough to please. What they really want is a 35-year-old guy with 20 years of experience."

Arbitrary age limits count for little, experts say. One is J. H. Connor, president and chief executive officer, Varlen Corp., Lombard, Ill., industrial metal product fabricators. Mr. Connor feels it is a mistake to set rigid over-30 or under-50 age limits. The thing to look for, he says, is productive potential. Mr. Buffum agrees: "If a client wants a new president, we urge him to consider only candidates who have the wisdom of experience and the energy, drive, and enthusiasm of youth. In most cases, the numerical age is irrelevant."

Intuition and experience

Mr. Connor emphasizes the value of intuitive ability. "You develop it young," he says, "and don't lose it with age. One doesn't suddenly become competent at 35 or 50. Ability forms from early childhood, out of attitude and family background. The appropriate business experience develops on top of this."

He believes it takes four to five years for a good manager to develop and adds that sometimes the development never comes. He calls to mind the old story of the 20-year veteran who complained to the boss when a young rival beat him out for a promotion. The boss replied: "You don't have 20 years' experience; you have one year's experience 20 times over."

Some time back, Mr. Connor recalls, his company

urgently needed a general manager for a plant it operates in Canada. Mr. Connor picked a 27-year-old for the job. Others felt the Varlen Corp. chief executive was making a mistake, but he trusted his own judgment. Mr. Connor's young manager was a winner who made vice president at 29 and now has three major operations under him. The young man was a decision-maker from the start. This quality doesn't alter with age, Mr. Connor says.

Looking for balance

Leonard J. Smith, is managing director, Training Services, Inc., a Rutherford, N. J., company which offers instruction to supervisory personnel. Mr. Smith believes vitality isn't a product of youth. He says it stems from individual drive, conditioning, outlook.

Still, to disregard the numbers completely would be unrealistic, some feel. "At Southeast Banking Corp.," Mr. Looper says, "we look for a balance. We need experience and maturity to coach, monitor, and control youth."

Management consultant Buse agrees. "You need a few young centurions in with the old warriors. I'd go for age and experience, if I needed a specialized job done right away, and for youth if I were building for the future."

It's balance that works

Either way, you take a chance

The ideal, of course, is to find in one individual the ambition, energy, and enthusiasm often associated with youth—plus the savvy usually ascribed to age. People with those qualities may be rare, but they do exist.

An example is Oskar Morgenstern, board chairman of Mathematica, Inc., a consulting firm based in Princeton, N. J. Mr. Morgenstern, 73, is co-author of the "Theory of Games and Economic Behavior" and "The Predictability of Stock Market Prices." He spends half his time at the consulting firm, teaches at New York University, travels thousands of air miles each year, and is involved in scores of projects.

What makes Mr. Morgenstern young at 73? Tibor Fabian, Mathematica's president, smiles when asked that question.

"Brilliance," he replies. "The right kind of genes. A need to constantly search for the truth. He's an unusual man. How many are blessed with his gifts?"

The secret of youth

What about others who remain energetic and productive well past middle age? Where do they discover their fountain of youth? The answer, authorities say, is in work they truly enjoy.

Most managers who slow down, says Mr. Connor, "do so because they were put in a job where they lacked the opportunity to capitalize on their capabilities." Managing Director Smith, of Training Services, Inc., says: "Do what you like to do, and it will sustain you for a lifetime. That's what personal job enrichment is all about."

Mr. Smith cites Dr. Clarence W. Sondern, 69, who is affiliated with the Center for Professional Advancement in East Brunswick, N. J. Dr. Sondern, a former executive at Warner-Lambert Co., retired 15 years ago to become an adviser and counselor on quality control in the chemical industry. He's more active and enthusiastic than ever before, says Mr. Smith, energetic because he loves what he is doing.

"I'm not retired," says Dr. Sondern, "I'm retreaded."

Adding years to life

Mr. Smith adds: "So many people wait a lifetime to find the kind of work they should have been doing all along."

Southeast Banking Corp.'s Mr. Looper says: "Peo-

ple worry so much about security that they wind up in a rut."

He knows a staff personnel man who languished for years, bored with the work he was doing. After the man had reached 48, someone spotted his unused potential and gave him a bank to run in the hinterlands. A take-charge person by nature, the ex-personnel manager found new joy and excitement in his job and did outstandingly well.

Says Mr. Looper: "The change added years to his life."

When your natural aims and desires are frustrated, some say, you grow discouraged and jaded, and you age prematurely.

Before stepping into his present post as chief executive of Varlen Corp., Mr. Connor took over as a division president at another corporation. There, he found a manufacturing executive who had been placed on the shelf. The executive was 56 and had a cardiac condition. However, says Mr. Connor, "I saw he had talents that begged to be used."

Mr. Connor made the 56-year-old a vice president

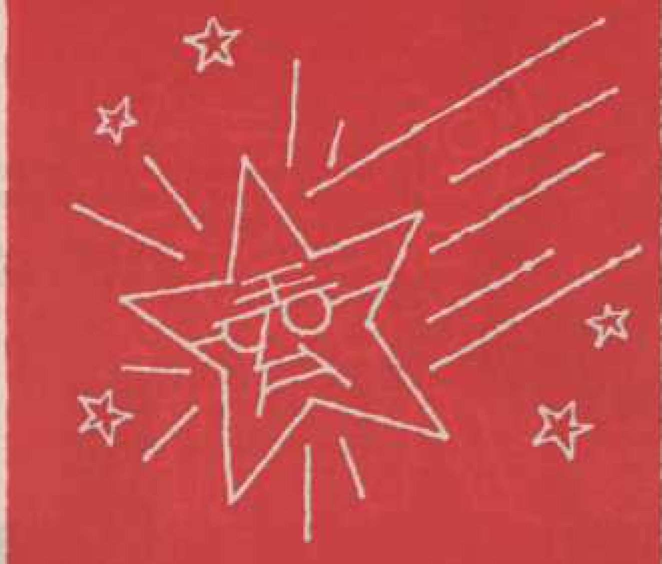
A manager who can excite and stimulate his people, Mathematica's President Fabian says, will keep them youthful, "regardless of age."

Resistant to change?

Managers pushing 50 or 60 are sometimes said to be reluctant to adapt to change. There is some truth in this, Mr. Connor believes. "As we get on in years," he says, "the human tendency is to grow more and more comfortable. It's harder to break a 20-year habit pattern than a two-year pattern."

However, he points out another trait of many capable older managers: While the older executive may find established habits harder to break, he often responds with excitement when faced with new challenges. In these situations, Mr. Connor notes, the executive's hard-won experience often proves an asset.

"Sometimes," Leonard Smith says, "what looks like resistance to change isn't resistance at all. A young person is more likely to rely on the experience and opinion of others. Thus, the junior executive may seem more receptive to change. The older manager, with a



Brilliance knows no age

Right job rejuvenates

and put him in charge of a floundering operation in Canada. The new vice president was a dynamo who rejuvenated the company—and himself along with it. The plant became one of the company's most profitable facilities. Within two years, the vice president was made division president. Today, he feels and acts like a 30-year-old.

Middle-aged sag can often be laid at top management's doorstep, management consultant Buse contends. "A behavioral style is tolerated until it becomes deeply ingrained," he says. "Management waits until the hand-wringing stage, then puts Old Joe out to pasture or fires him."

storehouse of knowledge to tap, may appear rigid when he's simply weighing his own experience and data against the course suggested."

Mr. Smith cites an example dating back to his days as a manager at Lightolier, Inc., a Jersey City, N. J., manufacturer of lighting fixtures.

The president of the company was a savvy, old pro. He was handed a suggestion to install automatic equipment that would stamp out lamp bases instead of spinning them. The projected advantages were impressive, but the president opposed the idea.

Young managers took his opposition for obstinacy, until they found out the reason for it. Since the bases

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HY HARRIS, New York, N.Y.

Ike Berger explains What is Synometrics?

You already know about the Isotonic and Isometric principle of body dynamics. Millions of people use one or the other in their daily exercises. I used BOTH methods in my daily Olympic training for years in different separate exercises. One day I accidentally discovered that if I used BOTH methods **together in one single exercise,** I automatically speeded up the results tremendously and I reduced my daily exercise hour down to only 7 short minutes.

The Science of SYNOMETRICS

I later learned the scientific reason for this amazing result. It's called SYNERGISM—meaning that when you combine two methods the result is greater than the both of them separately. I now called my new discovery SYNOMETRICS and developed a special exercise unit I call the SPEED SHAPER. And that's just what it is...a speed method to give you results in minutes, NOT hours! Now...build yourself a "fantastic looking body" with the incredible SYNOMETRICS—the invention that works on the exciting new scientific concept of ISOTONIC + ISOMETRIC.

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Choosing Between Youth and Experience

continued

were subject to frequent design changes, investing money in costly molds would be foolhardy.

From his experience with design changes, the chief knew that the proposal, while theoretically sound, wouldn't work out in practice.

Round pegs for round holes

What about the competent veteran who isn't highly charged? He lacks the drive he once possessed and cringes at the prospect of a 60-hour workweek.

"In some situations," Mr. Looper says, "you want a person who is capable but not interested in driving ahead at full speed. We wouldn't staff a bank in retirement village with a 26-year-old ball of fire. We select people according to the job and the responsibilities it involves."

At Southeast Banking, he adds, "we don't follow the outmoded belief that turning down a promotion is sacrilege.

"The candidate knows more about his desires and capacities than you do. We outline the opportunity, then we encourage the person to think it over. It has to benefit the employee as well as the corporation."

One woman in her 50's, after being advanced to department head, realized the job didn't agree with her. It involved too much responsibility and work. She asked to be reassigned to her old job, even though this meant a reduction in pay.

She's now back in the ranks and is happy once again.

Management consultant Buse emphasizes the importance of giving people jobs compatible with their aspirations and expectations.

Mr. Buse favors younger men or women for innovation and creativity. Youth is also his choice for selling, he says, because of the energy requirements, the volatility of the job.

When maturity is an asset

"You want the older manager," the consultant adds, "for financial work requiring maturity and experience, for production supervision, and good research—which calls for patience. For high-level management jobs, you want someone with sufficient savvy to quickly adapt, the kind of person who can hit the ground running."

Mathematica's President Fabian favors young people in technological consulting. He says: "Fresh out of the university, they bring the latest ideas and techniques to bear.

"In general consulting, the older manager is useful, because of his depth of experience, in evaluating, trying, proving, presenting, and selling ideas. This applies as well to human problems, the kind of thing you don't learn in books."

Vice President Looper pinpoints the most critical factor in hiring or assigning people, young or old. "Treat each person as an individual. Don't bunch people into groups—that's the key." END

REPRINTS *of this article are available from Nation's Business. See box on this page for details.*

A Bicentennial Salute to American Business

(Trumpet fanfare)

It's 1918. And American business is booming. But mailing procedures are outdated: every letter still must be stamped by hand.

Inventor Arthur Pitney, convinced he can eliminate this bottleneck, develops a machine that actually prints postage.

But legal problems delay its acceptance. Then, in 1919, Pitney meets Walter Bowes, a dynamic Connecticut manufacturer.

Together, they head for Washington to demonstrate their postage meter.

Congress and the Post Office are impressed. Within a year, their meter is approved for use nationwide.

Since then, the Pitney Bowes mailing machines have saved billions of dollars for business and institutions around the world.

This has been a presentation of the Chamber of Commerce of the United States

in celebration of America's Bicentennial.

This is one of a series of educational public service messages being shown on television across the nation. They are based on articles which appeared in Nation's Business.

A VIEW OF THE
CLIMATE ABROAD

Investment in Colombia: Opportunities and Obstacles

Four million of Colombia's 26 million people live in Bogota, the capital. The city, 8,660 feet above sea level, has a cool, moist climate and a modern downtown.

This South American country offers many attractions for business, but demands for change pose problems

Colombia is a nation rich in human and natural resources.

It is favored with a strategic location in the northwestern corner of South America and with active ports on both the Pacific and Caribbean. It has a good international credit rating and a rapidly diversifying economy, and there is progressiveness in its government and private business.

Bogota, the country's principal commercial center, is an attractive place in which to live and do business—the capital of a stable democracy where there is respect for the law and the rights of both nationals and foreigners.

Clamor for change

With World Bank and Inter-American Bank help, the Colombian government has invested heavily in the country's transportation and communications systems. And Colombia's electric power generating capacity has more than tripled in the past 15 years.

These factors make Colombia attractive for foreign investors. But that does not mean there are no problems.

Like democracies elsewhere, Colombia is undergoing substantial social change. Colombian cries for more change are sometimes louder than they need be.

Nationalism is strong and getting stronger, and sometimes it manifests itself in legislation that is counterproductive to the realization of development goals. There is uncertainty as to how Colombia's agreements with fellow members of the Andean Common Market will be implemented within Colombia. The government has yielded to pressures for highly experimental legislation designed to produce social change—measures that elicit little support from the Colombian business community, and less from foreign investors, who view some new laws as too restrictive.

The year-old administration of President Alfonso López-Michelsen, whose term runs until 1978, is, in the opinion of most observers, progressing slowly as it contends with high unemployment and a high birth rate. Lately, there has been increasing unrest among the less-privileged classes. Political pressure for social reform is growing fast, in part because of heavy migration from rural areas to the cities.

The broken coffee barrier

In 1974, Colombia's nontraditional exports—everything but coffee and petroleum—accounted for 55.2 percent of the dollar value of all exports. Colombia formerly was considered a country with virtually only one product, coffee, and the break in the coffee barrier has been welcomed by Colombians. They are happy to learn that their country's dependence on that commodity—and on fluctuations in world prices over which they have little control—is diminishing.

Credit for the change goes, in large part, to the Colombian government, which has vigorously promoted economic diversification during the past decade.

The country has markedly increased exports of cotton, sugar, and bananas. Beef and cattle shipments

Investment in Colombia: Opportunities and Obstacles

continued

overseas registered healthy increases last year, as did exports of small manufacturers, particularly in the metal industries, and chemical and pharmaceutical products.

14 cents a gallon

Of increased importance to a world facing energy shortages, Colombia has coal deposits second in size within this hemisphere only to those of the United States. Nickel, copper, and iron ore are commercially mined, as are gold, silver, and platinum. Colombia produces 95 percent of the world's emeralds.

Until recently, Colombia was self-sufficient in petroleum. Though the country must now import oil to meet its domestic needs, the government still controls the price of gasoline, in effect subsidizing gasoline users. Currently, a gallon of regular gasoline costs only 14 cents. A gallon of premium costs 27 cents.

How long the government can afford to be so generous remains to be seen. While a good many oil people feel that there undoubtedly are substantial petroleum reserves in a country that lies between two such big producers as Ecuador and Venezuela, oil companies are reluctant to search as long as the prices of gasoline for domestic consumption are controlled at such low levels.

Views on foreign capital

Colombia's Minister of Treasury and Public Credit Rodrigo Botero, generally considered a strong voice within the present administration, has publicly stated that control of all productive activity in the country should "eventually" be in the hands of Colombian nationals. Speculation revolves around the length of time that he and other Colombians visualize as necessary for accomplishment of this nationalistic objective.

The prevailing attitude toward foreign investment seems to favor capital participation by foreigners in the form of long-term lending rather than in equity. But exceptions are quite numerous in areas where foreign participation is viewed as essential or desirable. The exceptions range from investments in projects that would help increase Colombia's exports to those which transfer needed foreign technology. The preferred arrangement is a joint venture between foreign and local capital, with provision for eventual, if not initial, majority equity in the hands of Colombians.

At the moment, the business community is watching what Colombia does to implement agreements already reached within the framework of the Andean Common Market, as indicative of official attitudes toward foreign investors. [See "Rougher Going for the Yankee Trader," *Nation's Business*, June, 1974.]

Since the adoption in 1971 of the Common Regime for the Treatment of Foreign Capital—Decision 24 of the Common Market countries—there has been a persistent decline in new foreign investment in Colombia.

Growing business protest

The decline has elicited growing protest from the most respected quarters in Colombia's commercial, industrial, and financial communities. Former high-level government officials have been calling for a reassessment of the impact of Decision 24. Not long ago, the president of the prestigious National Association of Industrialists, Fabio Echeverry C., told an audience at the Colombian-American Chamber of Commerce that, as presently conceived, Decision 24 is inapplicable in Colombia. He strongly criticized requirements for the sale of equity shares as impractical in a country that is short of capital.

Such arguments are having an impact on the Colombian government. Minister of National Development Jorge Ramírez O. has stated that the government is examining all facets of a controversial new Foreign Investment Code. He specifically mentioned its limitations on profit remittances.

How these matters are finally resolved is of utmost importance to the future business climate of Colombia, a country where it appears safe to assume that the decisions will be reached only after everyone has been heard.

Prepared in cooperation with the Colombian-American Chamber of Commerce.

By VERNON LOUVIERE
Senior Editor

A Company's Salesman for Our Economic System

Goodyear's Richard Bryan has logged more than 630,000 air miles selling the American economic system. He believes more companies should be similarly involved. "It's almost too late, but we can reverse the trend," Mr. Bryan says.

W. Richard Bryan is a salesman for Goodyear Tire & Rubber Co., but he doesn't sell tires. Mr. Bryan sells the American economic system.

For 5½ years, he has crisscrossed the country as a full-time speaker for Goodyear, appearing at dinners, lunches, breakfasts, or you name it.

This has meant virtually living out of a suitcase and logging more than 630,000 miles by air alone. Sometimes, if Dick Bryan has missed a plane connection, it has meant driving all night to fulfill an engagement. The logistics of travel have held up well, and he has missed only four appearances in all this time.

His audiences range from a funeral directors' convention in Anaheim, Calif., to an American Farm Bureau meeting in New Holland, Ohio, and from a high school commencement in Fremont, Ohio, to a transportation club's annual meeting in Chicago.

"I'll accept any invitation to speak, if it means getting the message across," Mr. Bryan says. "It's not the size of the audience, but how receptive they are."

Though he doesn't give his listeners a sales pitch for his own company, as he preaches about the merits of private enterprise and about how those merits can be made more widely recognizable, it is obvious that his speeches can create much goodwill for Goodyear.

Dick Bryan was well-trained for his job. As president of Lions Club International in 1969-70 and as the holder of important Lions International offices in two preceding years, he logged 350,000 air miles, touring 86 countries and making more than 600 public appearances.

Mr. Bryan focuses much of his message on economic illiteracy, especially among younger Americans.

"It's not the kids' fault," he explains. "It's an indictment of the system. But, more important, it's an indictment of those in business who have failed to tell our story."

He peppers his audiences with questions like these:

"When's the last time you sat down with your kids or grandchildren and talked with them about the role of profit?"

"When's the last time you turned down an invitation to a local high school on a career night because you were too busy to talk about your business?"

"When's the last time you talked with local educators to see what is being taught in your schools?"

Dick Bryan will go out of his way to talk to high school and college groups.

"These are the young people who will be managing our businesses tomorrow," he says. "I see some changes in attitude taking place. Not drastic changes, but perceptible changes. I receive a far better reception on a college campus today than when I started all this.

"The youngsters have a little better understanding of what business is all about. Perhaps the recession has had something to do with this. They have a better perception of where jobs are coming from, now that jobs are harder to get."

In addition to financing Mr. Bryan's speaking tours, Goodyear has established chairs of free enterprise at Akron University and Kent State University in Ohio, and it recently launched a pilot program in the Akron public schools to teach economics. The company is headquartered in Akron.

Goodyear is among a growing number of companies which have started to speak out for the competitive enterprise system.

Mr. Bryan believes more companies should get involved.

"Top management should be heard from," he asserts. "It's almost too late, but we can reverse the trend." •

continued on page 84

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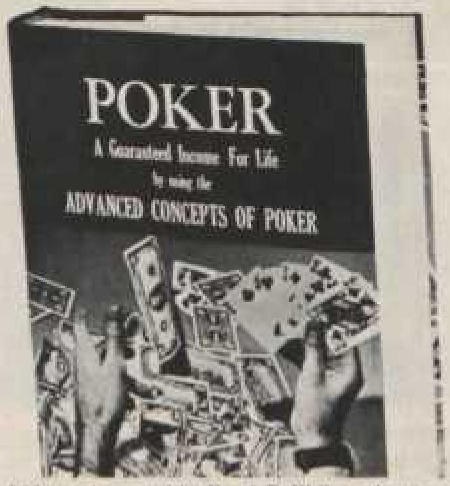

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Omaha citizens visit their police department's mobile crime prevention display.

Do-It-Yourself Methods of Cutting Down Crime

Merchandising techniques are being used to teach crime prevention in Omaha, and they are going over big.

Omaha's police department has bought a Crime Prevention Show-on-Wheels unit, which it sends into neighborhoods and to shopping centers and other places where people gather in numbers. The purpose: to instruct private citizens on how to protect themselves and their property easily and inexpensively.

The mobile unit, along with supporting educational material, was bought for $37,000 from Educational Crime Prevention Programs, Inc., of Pittsburgh, a subsidiary of Defensive Instruments, Inc.

Dozens of other cities have indicated an interest in buying similar equipment, according to Educational Crime Prevention Programs.

"Our concept sells crime prevention the same way consumer products are sold," says James B. Lynch, president. "The big, colorful mobile unit's exterior stops the passerby and attracts his attention. The displays inside are attractively and dramatically presented. All of them incorporate proven merchandising techniques to ensure an interesting and exciting learning experience."

Omaha Police Chief Richard Andersen reports the Nebraska city registered an astounding 29 percent drop in residential burglaries last November, a month after introduction of the show-on-wheels.

"We have had a very good reception from our citizens," he says. "They are turning out to learn about crime prevention and how it can help them."

Strongly emphasized in the program is that both residential burglary and street crime are generally a result of opportunity that criminals find, rather than careful planning.

Among items on display in the mobile unit are a variety of locks and burglar alarm systems, which are explained by police officers assigned to the unit.

Visitors are told that the vast majority of residential burglaries can be prevented by "hardening the target"—taking simple precautions such as locking doors and windows, keeping lights on, and using better locks and other security hardware. Police also recommend engraving valuables.

Mr. Lynch says that "millions of dollars have been spent for research on crime, and the conclusion reached by all of the studies is that the crime rate can be significantly reduced when each individual gets involved. The best and most practical approach is for everyone to know how to protect himself, his family, and his home." •

America's Heritage of Recycling Material

Contrary to what some people might think, American recycling of materials was not launched by a wave of concern over environmental problems which swept the country a few years back.

The National Association of Recycling Industries, which is itself more than 63 years old, has just published a brief history, "The Recycler in America," which tells how recycling has always played a part in our economic life.

According to the booklet, the process of recycling—the conversion of scrap metal, paper, textiles, and other waste elements into reusable materials—came to America with the first settlers.

"Recycling was inherent in economic life in the colonial period, when 'waste not, want not' was basic to the national philosophy," the booklet says.

Scrap copper, iron, and other metals were melted down and recast, old rags were widely collected for papermaking, and wool garments and other materials were respun and rewoven into new apparel and other textile products.

George Washington projected a national commitment to what we now know as recycling when, in 1793, he approved a requisition for a new chain for a frigate with the observation:

"Approved as far as regards a new chain, but is there an entire loss of the old one?"

A lead statue of Britain's King George III, which patriots tumbled from its base in New York City in 1776, was melted down and cast into 42,088 bullets.

James Smith and George Taylor, both signers of the Declaration of Independence, were metal recyclers. But Paul Revere was probably the most famous recycler in our early history. A noted silversmith and coppersmith, he made extensive use of scrap. Many of the bronze church bells, brass cannons, and copper fittings for ships that he turned out were made partly from scrap metal.

Today, recycling is a big business, in which 750 recycling firms employ more than 100,000 Americans. •

WHAT READERS WANT TO KNOW

What's this I hear about the United States signing a treaty with the Soviet Union involving taxes?

The Senate has ratified a convention, or treaty, which calls for the two governments to abide by one another's tax laws to avoid double or unfair taxation of citizens of one country doing business in the other. This applies to corporations as well. Because of increasing economic and cultural contact between the U. S. and Soviet Russia, a number of tax problems have arisen.

Needless to say, there is a great deal of difference in the tax structures of the two countries.

How much do foreign countries owe the United States?

All in all, about $55 billion. More than $23 billion of this dates back to World War I, with 20 countries still not paid up. Ironically, $55 billion is almost enough to wipe out the $62 billion U. S. budget deficit anticipated in the next fiscal year.

The State Department has been under fire in Congress for negotiating settlements in the past several years which reduced more than $5 billion of outstanding indebtedness by the Soviet Union, India, and France to $178 million.

How much do foreigners have invested in the United States?

The value of foreign holdings in the U. S. now ranges between $101 billion and $106 billion.

According to the Commerce Department, direct foreign investment in this country has risen 200 percent since 1961, with much of the rise in the past few years. Major investors are Britain, Canada, the Netherlands, Switzerland, Germany, France, and Japan. Investment by oil-rich Arab countries amounts to only about three percent of the total.

United States affiliates of foreign companies employ 411,000 persons in this country.

Is there a committee in Congress

that specializes in the problems of the aged?

The Select Committee on Aging began functioning in the House of Representatives last year. It is similar to the Special Committee on Aging created by the Senate several years ago.

These are oversight committees, which do not draft legislation. They are concerned primarily with studying problems of older Americans in such areas as housing, health, research, employment, education, and recreation.

The new House committee is headed by Rep. William J. Randall (D.-Mo.), one of the sponsors of the bill creating the panel.

Do members of Congress still make appointments to the military academies?

Yes, but this could change. Legislation has been introduced which would place selection of cadets totally in the hands of the academies, although every congressional district would continue to have to be represented.

Most senators and congressmen now rely on standard tests in picking nominees for the academies, relieving themselves of the burden of incurring political disfavor among those applicants who do not make the grade.

Why did the Labor Department change the name of its Manpower Administration to the Employment and Training Administration?

Officially, because the new designation more accurately describes the activities of the agency.

Unofficially, because of pressure to get rid of the word manpower—which the dictionary defines as a "supply of persons" but which some female activists say implies men only. The department feels that in removing any hint of gender, the new designation better characterizes the agency as a "focal point for employment and training programs for all citizens."

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BUSINESS: A LOOK AHEAD

By GROVER HEIMAN
Associate Editor

A Do-or-Die Plan for Regulatory Reform

Recognizing that the vast federal regulatory system can't possibly be reformed overnight, Sens. Charles H. Percy (R.-Ill.) and Robert C. Byrd (D.-W. Va.) have introduced bipartisan legislation to bring reform in phases. And they have added an or-else twist aimed at ensuring that reform is actually accomplished.

Their bill, S.2812, the Regulatory Reform Act of 1976, would require the President and Congress to meet a rigid timetable for proposing and passing necessary legislation to put reforms into effect. If the President and Congress fail to act in time, the agencies involved would automatically be stripped of most of their powers.

The Percy-Byrd proposal would divide 35 federal departments and agencies affected into five groups and phase their reform over a five-year period: 1977—banking and financial; 1978—energy and environment; 1979—commerce, transportation, and communications; 1980—food, health, and safety; and 1981—housing, labor-management relations, equal employment, government procurement, and small business.

The action-forcing mechanism incorporated in the bill would work like this: The President would submit a plan for reform by March 15 of the designated year. If the President didn't, Congress would originate a plan. By Sept. 15, the appropriate committees would report out the necessary legislation, which would have to be enacted by Dec. 31. If Congress didn't meet that deadline, and hadn't turned down the President's plan, the President's proposal would become law.

Should Congress disapprove the President's plan and not enact any reform measure by the next June 30, the benefits conferred by the agencies under review—such as rates, routes, licenses, etc.—would be void.

The senators say that "only a coordinated effort under a disciplined timetable will provide the necessary momentum for change."

Some observers of the governmental process in Washington waggishly predict that if the bill is passed and signed, all regulatory agencies will be out of business by June 30, 1982.

Bitter Battle Over Government Contract Profit Curbs

You can expect business to mount a vigorous fight in the months ahead against a sweeping bill that would amend the Renegotiation Act of 1951, which many argue should be scrapped completely.

This is the act that established an agency—the Renegotiation Board—to recoup excess profits from defense contractors. The board's scope has been expanded to cover space, atomic energy, and all the activities of the Energy Research and Development Administration.

Advocates of the process now want to require renegotiation of contracts on a product line and division basis, rather than on an aggregate basis, as it is done now.

They also want to put the burden of proving or disproving the question of excess profit on the contractor, rather than on the federal government. This guilty-until-proven-innocent provision would reverse a 1971 Court of Claims decision.

Another proposal that is bitterly objected to by firms doing business with the government is one to raise the commercial exemption. As the law now stands, if a contractor sells an item to both the government and the public, he is exempt from the act if at least 55 percent of the sales are to private customers. Advocates of the new legislation—H.R. 10680—want to increase that private customer figure to 75 percent, which would bring many more firms under the act.

Opponents of the Renegotiation Act say that the legislation, passed during the Korean War to recover abnormally high profits during periods of mobilization and national emergency, has long outlived its usefulness.

Veterans' Preference in Loan Programs for Small Businesses

The veteran who is a small businessman, or wants to be one, is going to get special consideration in the future from the Small Business Administration.

SBA will also extend that special consideration to a survivor of a veteran of the armed forces—a widow or widower who has not remarried, a dependent child, or a dependent parent.

Under the new policy, SBA will give prompt processing to veterans' applications for loans of all types and pay particular attention to giving veterans maximum loan maturity.

SBA also will be especially lenient for veterans on what constitutes acceptable loan collateral. And on all direct loans in the veterans' category, the agency will place a liberal interpretation on its present payment deferment policy.

Overall, veterans' status may be considered a contributing factor in establishing eligibility as "socially or economically disadvantaged."

Special Agencies Sought to Deal With Materials Shortages

With further economic recovery in the offing, the possibility of materials shortages can be expected to be given more attention. Sen. John V. Tunney (D.-Calif.) favors a new federal department to handle the problem.

He has introduced a bill, S.2726, the Resource Policy Reorganization Act of 1975, that would create a Department of Natural Resources. This department would combine the Interior Department, the Federal Energy Administration, the Energy Research and Development Administration, and parts of the Agriculture and Commerce Departments.

Further, the bill would have a three-member Office on Resource and Material Policy set up at the White House to advise the President, and have Congress establish a Joint Committee on Energy, Materials, and the Environment.

Dr. V. E. McKelvey, director of the U. S. Geological Survey, recently highlighted the problem of dependence on foreign sources. In 1974, he reported, the nation was more than 90 percent dependent on imports of manganese, cobalt, chromium, titanium, niobium, strontium, and sheet mica; 75 to 90 percent dependent on foreign sources for aluminum, platinum, tin, tantalum, bismuth, fluorine, asbestos, and mercury; and 50 to 75 percent dependent on imports for zinc, gold, silver, tungsten, nickel, cadmium, selenium, and potassium. [See "We're Headed for a Metals Crunch," *Nation's Business*, December, 1974.]

Mail No Longer Will Travel First-Class at Tourist Rates

The U. S. Postal Service, looking in all directions for economies, now proposes to close the door on a practice which has enabled some patrons to get first-class mail service while paying lower rates.

It has been a long-standing Postal Service policy to give first-class handling to an envelope or card that has a green border.

Aware of this, the Postal Service says, some people have sent other than first-class mail in green-bordered envelopes. These mailers have received faster service than they paid for.

Rather than drop the green-goes-first-class system, the Postal Service has announced it will retain the system as is—but will automatically charge first-class rates for all green-bordered envelopes and cards.

If green-bordered mail comes into a post office without first-class postage, it will be marked postage-due and returned to the sender. If such mail somehow slips through to the area of its destination but is spotted before delivery, the Postal Service says, an attempt will be made to collect from the sender, anyway.

Pentagon Tightens Its Rules on Gifts

Standards of conduct for Defense Department officials have been tightened to bar an official from accepting small gifts, entertainment, etc., from a businessman, even if the latter is a relative or close personal friend.

The rule applies if the businessman is engaged or trying to engage in business with the Defense Department, conducts activities regulated by any Defense Department agency, or has interests that may be substantially affected by the performance or nonperformance of the official duty of the Defense Department personnel involved.

As a further effort to tighten the system, the department has widened the scope of the conduct standards to require statements on financial interests and past employment from all military officers of flag or general rank and all civilian employees of equivalent rank. In addition, such statements are now required from commanders and deputy commanders of major military installations and operations, regardless of rank.

Deputy Secretary of Defense William P. Clements, Jr., says there shouldn't be any question now as to what "transactions" between military and civilian personnel and defense contractors are improper.

EDITORIAL

Congress Learns Firsthand About Government Regulation

MEMBERS OF CONGRESS recently got a taste of government regulation and did not like the experience.

Senators and representatives for a time shared frustrations familiar to men and women who run businesses that are continually bombarded with government mandates.

What aroused congressional wrath were the first two regulations issued by the Federal Election Commission, which Congress created in 1974 to enforce the newly toughened campaign-finance law.

The regulations established financial reporting requirements that most members of Congress considered beyond the commission's authority.

One veteran House member snapped that the commission was being "totally arbitrary."

"A whole battery of lawyers" would be needed on a daily basis to ensure compliance with the rules, protested another.

The way the commission wanted to implement the law, said a senator, "goes far beyond anything that Congress had in mind."

Unlike businesses with similar complaints against the workings of federal regulatory agencies, the legislators were able to do more than protest.

In creating the election commission, Congress had retained a veto power over commission regulations, and that power was used to invalidate the disputed rules.

A representative explained why Congress wanted the veto authority:

"We recognized when we created this commission that we could be creating a monster . . . over which we would have no control, which could then turn around and dictate to us what we may and may not do. . . ."

Congress now is planning to consider sweeping proposals for reform of the whole regulatory process. The legislators' own encounter with a government agency can provide guidance to them on how to solve some of the regulatory problems business faces daily.

As Congress tackles the tough job of regulatory reform, it is good to keep in mind that government regulation is not evil per se, but harassment is. Harassment of private enterprise is counterproductive to economic and social progress.


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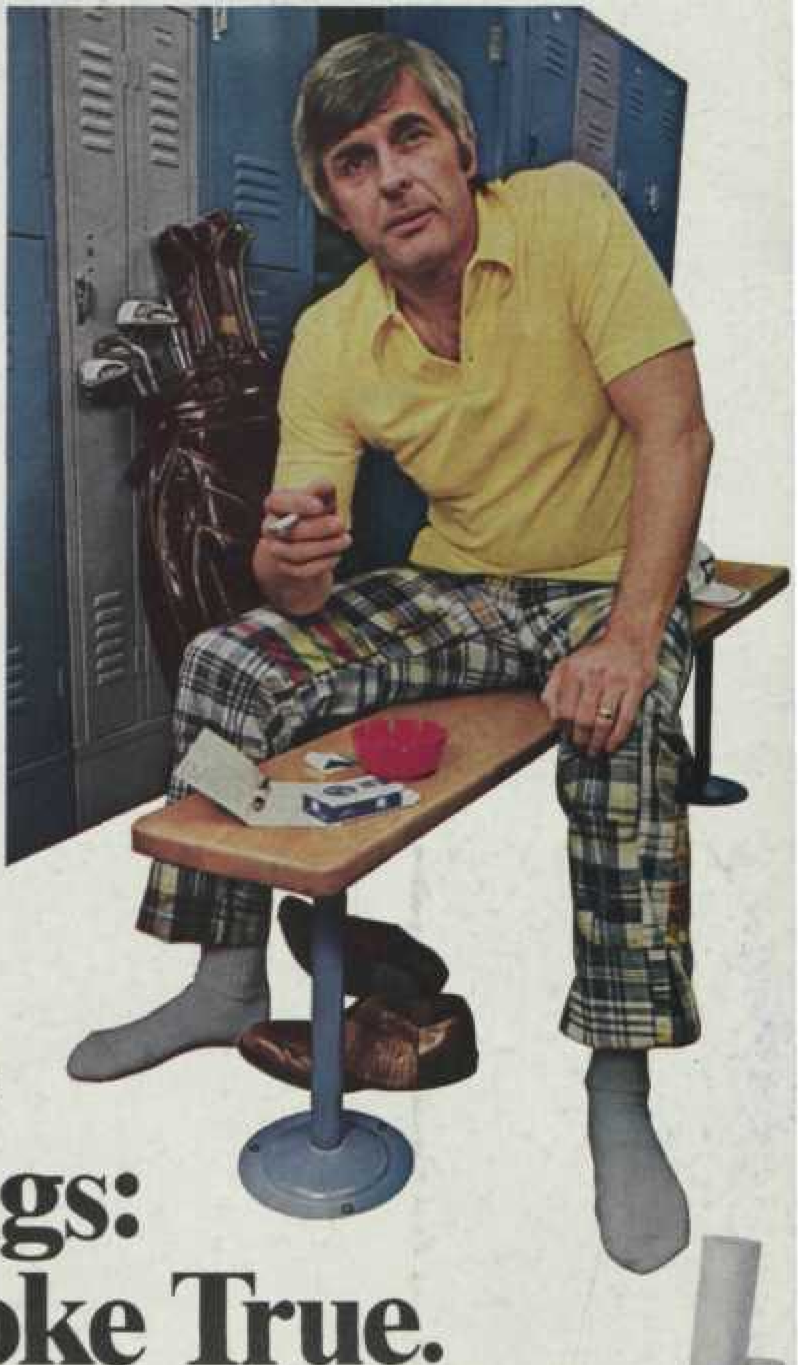

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